

# Cleanaway Limited

Annual Report and financial statements  
Year ended 30 June 2003

Registered Number: 806128



# **Cleanaway Limited**

## **Directors' report for the year ended 30 June 2003**

The directors present their report and the audited financial statements for the year ended 30 June 2003.

Unless otherwise stated, references to 2002 within the notes to the accounts are for the 18 month period to 30 June 2002 or in the case of balance sheet notes, to the balance sheet at 30 June 2002.

### **Principal activities**

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

### **Review of the business and future developments**

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

During the year the group sold its Repairs and Maintenance business for a consideration of £8.7 million.

### **Results and dividends**

The results for the group for the year are set out in the profit and loss account on page 6.

A dividend of £3,000,000 (2002: £7,200,000) was declared and paid during the period. No final dividend is proposed for 2003 (2002: nil).

### **Directors and their interests**

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

GR Westra	
CM Gilligan	
P Morton	
K Gardner	
SG Huxley	
IN Flynn	(resigned 31 August 2002)
L Kennedy	(appointed 9 December 2002)

P Morton resigned as a director of the company on 30 November 2003.

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 2003 (Continued)

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

The interests of the directors in office at 30 June 2003 in the share capital of Brambles Industries plc and Brambles Industries Limited are set out below:

Share options in Brambles Industries plc	(*) At 1 July 2002 Number	Granted in the period Number	Exercised in the period Number	At 30 June 2003 Number
CM Gilligan	44,561	61,707	-	106,268
P Morton	21,662	29,015	-	50,677
K Gardner	41,261	59,024	-	100,285
SG Huxley	48,137	69,309	-	117,446
L Kennedy	-	81,997	-	81,997

(\*) or date of appointment if later

Share options in Brambles Industries Limited	(*) At 1 July 2002 Number	Granted in the period Number	Exercised in the period Number	At 30 June 2003 Number
CM Gilligan	58,269	61,707	-	119,976
P Morton	21,662	29,015	-	50,677
K Gardner	41,261	59,024	-	100,285
SG Huxley	48,137	69,309	-	117,446
L Kennedy	-	81,997	-	81,997

(\*) or date of appointment if later

#### Charitable donations

During the year the group made donations of £27,140 (2002: £20,535) to charities. The group made no political donations in the period (2002: nil).

# **Cleanaway Limited**

## **Directors' report for the year ended 30 June 2003 (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 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 the 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 77 days (2002: 66 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 period ended 30 June 2003 (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 2003 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**

Following the conversion of our auditors PricewaterhouseCoopers to a Limited Liability Partnership (LLP) from 1 January 2003, PricewaterhouseCoopers resigned on 29 August 2003 and the directors appointed its successor PricewaterhouseCoopers LLP as auditors.

#### **By order of the Board**



**PGN Thompson**  
Company Secretary

19 December 2003

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 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.

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 2003 and of the loss 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  
1 Embankment Place  
London WC2N 6RH

19 December 2003

# Cleanaway Limited

## Consolidated Profit and Loss Account for the year ended 30 June 2003

	Note	12 months ended 30 June 2003			18 months ended 30 June 2002		
		Continuing Operations £'000	Discontinued Operations £'000	Total £'000	Continuing Operations £'000	Discontinued Operations £'000	Total £'000
Turnover							
(including share of joint venture)		457,283	46,431	503,714	630,014	83,731	713,745
Less: Share of turnover of joint venture		(9,075)	-	(9,075)	(12,013)	-	(12,013)
<b>Group Turnover</b>		<b>448,208</b>	<b>46,431</b>	<b>494,639</b>	<b>618,001</b>	<b>83,731</b>	<b>701,732</b>
Operating profit before exceptionals		21,971	1,423	23,394	35,983	3,814	39,797
Exceptional reorganisation costs	5	(840)	-	(840)	-	-	-
Group operating profit		21,131	1,423	22,554	35,983	3,814	39,797
Share of operating profit in joint venture	2	968	-	968	823	-	823
<b>Total operating profit</b>		<b>22,099</b>	<b>1,423</b>	<b>23,522</b>	<b>36,806</b>	<b>3,814</b>	<b>40,620</b>
(Loss)/profit on disposal of a business operation	5			(3,602)			1,205
Interest receivable and similar income	6			210			236
Interest payable and similar charges	7			(13,692)			(20,408)
- Group				(133)			(41)
- Joint venture				(133)			(41)
Net interest payable				(13,615)			(20,213)
<b>Profit on ordinary activities before taxation</b>	4			6,305			21,612
Tax on profit on ordinary activities	9			(4,924)			(8,513)
<b>Profit on ordinary activities after taxation</b>				1,381			13,099
Dividends on equity share capital	10			(3,000)			(7,200)
<b>Retained (loss)/profit for the financial period</b>				<b>(1,619)</b>			<b>5,899</b>

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 2003

	Notes	2003 £'000	2002 £'000
<b>Fixed assets</b>			
Intangible assets	11	56,821	61,973
Tangible assets	12	173,090	160,268
Interests in joint venture	13		
Share of gross assets		7,197	2,418
Share of gross liabilities		(5,072)	(1,203)
		2,125	1,215
		232,036	223,456
<b>Current assets</b>			
Stocks	14	2,382	4,430
Debtors due within one year	15	104,925	115,567
Debtors due after one year	15	9,326	10,687
Cash at bank and in hand		5,317	15,207
		121,950	145,891
<b>Creditors: amounts falling due within one year</b>	16	(101,323)	(128,342)
<b>Net current assets</b>		20,627	17,549
<b>Total assets less current liabilities</b>		252,663	241,005
<b>Creditors: amounts falling due after more than one year</b>	17	(164,305)	(149,520)
<b>Provisions for liabilities and charges</b>	18	(43,185)	(44,693)
<b>Net assets</b>		45,173	46,792
<b>Capital and reserves</b>			
Called up share capital	19	39,531	39,531
Share premium		704	704
Revaluation reserve		1,340	1,340
Other reserves		427	427
Profit and loss account	20	3,171	4,790
<b>Total shareholders' funds</b>	21	45,173	46,792
<b>Shareholders' funds may be analysed as:</b>			
- equity interests		43,827	45,446
- non-equity interests		1,346	1,346
		45,173	46,792

The financial statements on pages 6 to 34 were approved by the Board on 19 December 2003.



K Gardner  
Director




# Cleanaway Limited

## Company Balance Sheet as at 30 June 2003

	Notes	2003 £'000	2002 £'000
<b>Fixed assets</b>			
Intangible assets	11	14,770	16,324
Tangible assets	12	147,618	127,192
Investments	13	52,625	56,770
		<u>215,013</u>	<u>200,286</u>
<b>Current assets</b>			
Stocks	14	1,606	1,930
Debtors due within one year	15	91,210	98,801
Debtors due after one year	15	8,420	9,215
Cash at bank and in hand		1,643	-
		<u>102,879</u>	<u>109,946</u>
<b>Creditors: amounts falling due within one year</b>	16	(81,271)	(81,712)
<b>Net current assets</b>		<u>21,608</u>	<u>28,234</u>
<b>Total assets less current liabilities</b>		<u>236,621</u>	<u>228,520</u>
<b>Creditors: amounts falling due after more than one year</b>	17	(151,820)	(143,064)
<b>Provisions for liabilities and charges</b>	18	(42,891)	(43,246)
<b>Net assets</b>		<u>41,910</u>	<u>42,210</u>
<b>Capital and reserves</b>			
Called up share capital	19	39,531	39,531
Share premium		704	704
Revaluation reserve		1,340	1,340
Profit and loss account	20	335	635
<b>Total shareholders' funds</b>		<u>41,910</u>	<u>42,210</u>
<b>Shareholders' funds may be analysed as:</b>			
- equity interests		40,564	40,864
- non-equity interests		1,346	1,346
		<u>41,910</u>	<u>42,210</u>

The financial statements on pages 6 to 34 were approved by the Board on 19 December 2003.



K Gardner  
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 for the year ended 30 June 2003 with comparative figures for the 18 months ended 30 June 2002 in accordance with 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 2003. The disclosures required are presented in note 24.

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 28.

#### **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. 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**

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) Investments

Fixed asset investments are stated at cost less provisions for impairment.

#### o) Stocks

Stocks are stated at the lower of cost and net realisable value.

#### p) 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

	12 months ended 30 June 2003 £'000	18 months ended 30 June 2002 £'000
Operating profit from joint venture operation	968	823

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

	12 months ended 30 June 2003			18 months ended 30 June 2002		
	Continuing £'000	Discontinued £'000	Total £'000	Continuing £'000	Discontinued £'000	Total £'000
Change in stocks of finished goods and work in progress	781	1,267	2,048	(393)	(1,267)	(1,660)
Other operating income	-	-	-	(257)	-	(257)
Raw materials and consumables	54,302	11,001	65,303	64,841	20,344	85,185
Other external charges	180,990	10,160	191,150	250,309	22,442	272,751
Staff costs (Note 8)	152,812	21,816	174,628	217,960	37,474	255,434
Depreciation of tangible fixed assets	33,015	764	33,779	43,034	924	43,958
Amortisation of goodwill	4,337	-	4,337	6,524	-	6,524
	37,352	764	38,116	49,558	924	50,482
Total operating costs	426,237	45,008	471,245	582,018	79,917	661,935

### 4 Profit on ordinary activities before taxation

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

	12 months ended 30 June 2003 £'000	18 months ended 30 June 2002 £'000
Staff costs (note 8)	174,628	255,434
Directors' emoluments (note 8)	1,746	2,186
Auditors' remuneration for the Group		
- as auditors (of which parent company was £120,000 (2002: £163,000))	167	261
- non-audit work	79	34
Operating lease charges:		
- plant and machinery	1,501	4,204
- other	4,120	3,391
Depreciation of tangible fixed assets:		
- owned assets	29,443	37,930
- landfill restoration assets	944	1,247
- leased assets	3,392	4,781
Amortisation of goodwill	4,337	6,531
Loss/(profit) on disposal of fixed assets	2,867	(470)

# Cleanaway Limited

## Notes To The Financial Statements

### 5 Exceptional items

During the year a reorganisation process was initiated. The cost of £840,000 principally comprises redundancy costs which are expected to be spent within the next 12 months. There is no impact on corporation tax.

On 28 March 2003, the group sold the trade and assets of the Repairs and Maintenance businesses. The exceptional item is the loss realised on the sale of £3,602,000.

In January 2001, the group sold the trade and assets of the depot in Belfast. The exceptional item is the profit realised on the sale, amounting to £1,205,000.

### 6 Interest receivable and similar income

	12 months ended 30 June 2003 £'000	18 months ended 30 June 2002 £'000
Bank interest receivable	210	236

### 7 Interest payable and similar charges

	12 months ended 30 June 2003 £'000	18 months ended 30 June 2002 £'000
<b>Group</b>		
Interest payable on bank borrowings repayable within five years	820	4,747
Interest payable on short-term loans from shareholders	666	2,675
Interest payable on other loans from shareholders	9,556	7,777
Interest payable on Loan Notes	361	670
Interest payable on hire purchase and finance lease contracts	775	1,516
Discount unwinding on landfill provisions	1,514	3,023
	13,692	20,408
<b>Joint venture</b>		
Interest payable on bank borrowings repayable within five years	133	41
	13,825	20,449

Short-term loans consist of short term funding from subsidiaries of both shareholders 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

<b>Employee information</b>	<b>12 months ended 30 June 2003 £'000</b>	<b>18 months ended 30 June 2002 £'000</b>
<b>Group</b>		
<b>Staff costs</b>		
Wages and salaries	152,621	225,570
Social security costs	12,976	17,717
Other pension costs	9,031	12,147
	<u>174,628</u>	<u>255,434</u>
	<b>12 months ended 30 June 2003 Number</b>	<b>18 months ended 30 June 2002 Number</b>
<b>Group</b>		
<b>Average number of employees:</b>		
Operational staff	7,629	8,263
Administration and management	1,147	1,626
	<u>8,776</u>	<u>9,889</u>
<b>Directors' information</b>	<b>12 months ended 30 June 2003 £'000</b>	<b>18 months ended 30 June 2002 £'000</b>
Directors:		
Aggregate emoluments	1,635	2,186
Compensation for loss of office	111	-
	<u>1,746</u>	<u>2,186</u>

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

	<b>12 months ended 30 June 2003 Number</b>	<b>18 months ended 30 June 2002 Number</b>
Defined benefit schemes	<u>7</u>	<u>8</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:

	12 months ended 30 June 2003 £'000	18 months ended 30 June 2002 £'000
Aggregate emoluments	547	587

Included in the aggregate emoluments of the highest paid director are pension contributions of £202,000 (2002: £116,000). The accrued annual pension entitlement under a defined benefit scheme of the highest paid director at 30 June 2003 was £55,575 (30 June 2002: £47,250). No lump sum entitlement exists.

In 2002 the highest paid director received an additional £170,842 in respect of an incentive scheme that was cancelled on 7 August 2001.

### 9 Tax on the profit for the period

	12 months ended 30 June 2003 £'000	18 months ended 30 June 2002 £'000
<b>Group</b>		
United Kingdom corporation tax at 30% (2002: 30%)	4,408	7,739
Adjustment in respect of prior period	(1,057)	1,043
Share of joint venture corporation tax liability	(121)	342
	3,230	9,124
<b>Deferred tax</b>		
Origination and reversal of timing differences	1,648	(611)
Share of joint venture deferred tax liability	46	-
	1,694	(611)
Tax on profit on ordinary activities	4,924	8,513

# Cleanaway Limited

## Notes To The Financial Statements

### 9 Tax on the profit for the period (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:

	12 months ended 30 June 2003 £'000	18 months ended 30 June 2002 £'000
Profit on ordinary activities before tax	6,305	21,612
Profit on ordinary activities multiplied by the standard rate in the UK 30% (2002: 30%)	1,892	6,483
Factors affecting the charge:		
Capital allowances in excess of depreciation	(530)	(622)
Other timing differences	284	372
Amortisation of goodwill	1,301	1,959
Disposal of goodwill	1,052	-
Other net expenses not deductible for tax purposes	322	(104)
Utilisation of tax losses brought forward	(34)	(7)
Adjustments to tax charge in respect of prior periods	(1,057)	1,043
Corporation tax charge for period	3,230	9,124

### 10 Dividends

Equity – ordinary	12 months ended 30 June 2003 £'000	18 months ended 30 June 2002 £'000
Interim paid - 1.57p per share (2002: 3.77p per share)	3,000	7,200

# Cleanaway Limited

## Notes To The Financial Statements

### 11 Intangible assets

<b>Goodwill</b>	<b>Group</b>	<b>Company</b>
	<b>£'000</b>	<b>£'000</b>
<b>Cost</b>		
At 1 July 2002	79,911	29,719
Additions (note 22)	2,692	-
Disposals (note 23)	(3,957)	-
<b>At 30 June 2003</b>	<b>78,646</b>	<b>29,719</b>
<b>Accumulated depreciation</b>		
At 1 July 2002	17,938	13,395
Charge for the period	4,337	1,554
Disposals (note 23)	(450)	-
<b>At 30 June 2003</b>	<b>21,825</b>	<b>14,949</b>
<b>Net book amount</b>		
<b>At 30 June 2003</b>	<b>56,821</b>	<b>14,770</b>
<b>At 30 June 2002</b>	<b>61,973</b>	<b>16,324</b>

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:

	<b>Group</b>	<b>Group</b>	<b>Company</b>	<b>Company</b>
	<b>2003</b>	<b>2002</b>	<b>2003</b>	<b>2002</b>
<b>Group</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Five years or less	8,659	8,659	8,303	8,303
Ten years	13,750	13,750	9,951	9,951
Twenty years	56,237	57,502	11,465	11,465
	<b>78,646</b>	<b>79,911</b>	<b>29,719</b>	<b>29,719</b>

# Cleanaway Limited

## Notes To The Financial Statements

### 12 Tangible assets

	Land and Buildings			Landfill restoration asset	Plant, machinery and vehicles	Total
	Freehold	Leasehold over 50 years	Leasehold under 50 years			
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Group</b>						
<b>Cost or valuation</b>						
At 1 July 2002	24,748	4,652	42,901	7,532	237,325	317,158
Additions	2,327	-	7,168	146	42,604	52,245
Disposals	-	-	(102)	-	(35,291)	(35,393)
<b>At 30 June 2003</b>	<b>27,075</b>	<b>4,652</b>	<b>49,967</b>	<b>7,678</b>	<b>244,638</b>	<b>334,010</b>
<b>Accumulated depreciation</b>						
At 1 July 2002	3,023	2,210	16,738	1,247	133,672	156,890
Charge for the year	219	82	1,636	944	30,898	33,779
Disposals	-	-	(101)	-	(29,648)	(29,749)
<b>At 30 June 2003</b>	<b>3,242</b>	<b>2,292</b>	<b>18,273</b>	<b>2,191</b>	<b>134,922</b>	<b>160,920</b>
<b>Net book value</b>						
At 30 June 2003	<b>23,833</b>	<b>2,360</b>	<b>31,694</b>	<b>5,487</b>	<b>109,716</b>	<b>173,090</b>
At 30 June 2002	21,725	2,442	26,163	6,285	103,653	160,268

Included in plant and machinery are assets with a net book value of £7,284,000 (30 June 2002: £10,676,000) held under finance leases. Depreciation for the period was £3,392,000 (30 June 2002: £4,781,000).

Freehold land of £4,666,000 (30 June 2002: £4,226,000) is not depreciated.

	30 June 2003	30 June 2002
Group	£'000	£'000
<b>Analysis of land and buildings at cost or valuation</b>		
At cost	25,375	23,048
At valuation	1,700	1,700
	<b>27,075</b>	<b>24,748</b>

# 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 (2002: £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.

	Land and Buildings			Landfill restoration asset	Plant, machinery and vehicles	Total
	Freehold	Leasehold over 50 years	Leasehold under 50 years			
Company	£'000	£'000	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>						
At 1 July 2002	22,116	4,476	40,773	7,532	199,183	274,080
Additions	1,031	-	7,238	146	35,390	43,805
Transfers from group companies	-	-	-	-	14,428	14,428
Disposals	-	-	-	-	(25,077)	(25,077)
<b>At 30 June 2003</b>	<b>23,147</b>	<b>4,476</b>	<b>48,011</b>	<b>7,678</b>	<b>223,924</b>	<b>307,236</b>
<b>Accumulated depreciation</b>						
At 1 July 2002	2,712	2,202	16,262	1,247	124,465	146,888
Charge for the year	158	80	1,597	944	23,571	26,350
Transfers from group companies	-	-	-	-	6,067	6,067
Disposals	-	-	-	-	(19,687)	(19,687)
<b>At 30 June 2003</b>	<b>2,870</b>	<b>2,282</b>	<b>17,859</b>	<b>2,191</b>	<b>134,416</b>	<b>159,618</b>
<b>Net book value</b>						
At 30 June 2003	20,277	2,194	30,152	5,487	89,508	147,618
At 30 June 2002	19,404	2,274	24,511	6,285	74,718	127,192

Included in plant and machinery are assets with a net book value of £nil (30 June 2002: £5,000) held under finance leases. Depreciation for the period was £5,000 (30 June 2002: £10,000).

Freehold land of £4,666,000 (30 June 2002: £4,226,000) is not depreciated.

# Cleanaway Limited

## Notes To The Financial Statements

### 12 Tangible assets (Continued)

Company	30 June 2003 £'000	30 June 2002 £'000
<b>Analysis of land and buildings at cost or valuation</b>		
At cost	21,447	20,416
At valuation	1,700	1,700
	<u>23,147</u>	<u>22,116</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 (2002: £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 £'000
Shares in subsidiary undertakings at cost:	
At 1 July 2002	56,770
Impairment	<u>(4,145)</u>
At 30 June 2003	<u>52,625</u>

Due to the disposal of some of the underlying businesses, the directors consider the value of the investment held by the company in Serviceteam Holdings Limited to be impaired. Therefore a write down of £4.1 million has been recorded on a net realisable value basis.

# Cleanaway Limited

## Notes To The Financial Statements

### 13 Investments (Continued)

The company's principal subsidiary undertakings at 30 June 2003 are as follows:

Subsidiary undertaking	Share of equity held by:	
	The company	Subsidiaries
Clean World Limited	100%	
Heron Environmental 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%

A full list of subsidiary undertakings at 30 June 2003 will be annexed to the company's next annual return. 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.

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.

	12 months ended 30 June 2003	18 months ended 30 June 2002
	£'000	£'000
Turnover	9,075	12,013
Profit before taxation	835	782
Taxation	75	(342)
	30 June 2003	30 June 2002
	£'000	£'000
Fixed Assets	1,489	825
Current Assets	4,524	921
Debtors due after one year	1,184	672
Creditors due within one year	(4,820)	(1,042)
Creditors due after one year or more	(206)	(161)
Deferred tax provision	(46)	-

# Cleanaway Limited

## Notes To The Financial Statements

The groups' share of capital commitments of joint ventures at 30 June 2003 was £nil (2002: £nil).

### 14 Stock

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Work in progress	-	1,113	-	-
Finished goods	2,382	3,317	1,606	1,930
	<b>2,382</b>	<b>4,430</b>	<b>1,606</b>	<b>1,930</b>

### 15 Debtors

Amounts receivable within one year:

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Trade debtors	89,662	95,469	63,391	59,969
Amounts owed by parent company	134	34	134	34
Amounts owed by subsidiary undertakings	-	-	14,163	23,340
Amounts owed by fellow group companies of the shareholders	2,046	2,282	2,027	2,282
Other debtors	3,494	2,121	2,997	1,321
Prepayments and accrued income	9,589	15,661	8,498	11,855
	<b>104,925</b>	<b>115,567</b>	<b>91,210</b>	<b>98,801</b>

Amounts receivable after one year:

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Other debtors	8,420	9,155	8,420	9,155
Prepayments and accrued income	-	66	-	-
Deferred taxation (see note 18)	906	1,466	-	60
	<b>9,326</b>	<b>10,687</b>	<b>8,420</b>	<b>9,215</b>



# Cleanaway Limited

## Notes To The Financial Statements

### 16 Creditors : Amounts falling due within one year

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Loan Notes (Note 17)	7,368	1,344	7,368	1,344
Bank loans and overdrafts	4,663	18,063	-	1,601
Amounts payable under finance leases (Note 17)	3,120	3,567	-	3
Trade creditors	45,235	24,652	41,437	19,416
Amount owed to subsidiary undertakings	-	-	1,270	1,647
Amounts owed to shareholder companies	1,861	27,615	1,861	27,615
Amounts owed to fellow group companies of the shareholders	2,065	2,975	-	1,101
Corporation tax	790	4,310	1,401	3,803
Other taxes and social security	14,457	17,012	13,825	9,671
Other creditors	3,611	5,655	3,611	5,069
Accruals and deferred income	18,153	23,149	10,498	10,442
	<b>101,323</b>	<b>128,342</b>	<b>81,271</b>	<b>81,712</b>

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.

### 17 Creditors : Amounts falling due after more than one year

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Loan notes	-	8,064	-	8,064
Amounts payable under finance leases	3,327	6,456	-	-
Amounts owed to shareholder companies	160,978	135,000	151,820	135,000
	<b>164,305</b>	<b>149,520</b>	<b>151,820</b>	<b>143,064</b>

The amounts owed to shareholder companies comprise a revolving loan facility from a subsidiary of one of the shareholders. This facility is repayable after one year.

The Loan Notes were issued to fund the acquisition of Serviceteam Holdings Limited. They receive interest at 0.2% above the LIBOR 6 month settlement rate and are redeemable on 25 April 2004.

# Cleanaway Limited

## Notes To The Financial Statements

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

Amounts payable under finance leases are further analysed as follows:

	Group		Company	
	2003	2002	2003	2002
	£'000	£'000	£'000	£'000
Within one year	3,120	3,567	-	3
Between one and two years	2,144	3,081	-	-
Between two and five years	1,152	3,338	-	-
After five years	31	37	-	-
	<u>6,447</u>	<u>10,023</u>	<u>-</u>	<u>3</u>

### 18 Provisions for liabilities and charges

Group	Deferred taxation £'000	Contract losses £'000	Aftercare £'000	Site restoration £'000	Total £'000
At 1 July 2002	151	1,296	21,794	21,452	44,693
Charged/(credited) to the profit and loss account	1,088	(1,231)	(158)	751	450
Increase in restoration asset	-	-	-	146	146
Utilised during the year	-	-	(1,092)	(1,012)	(2,104)
<b>At 30 June 2003</b>	<u><b>1,239</b></u>	<u><b>65</b></u>	<u><b>20,544</b></u>	<u><b>21,337</b></u>	<u><b>43,185</b></u>

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).

# Cleanaway Limited

## Notes To The Financial Statements

### 18 Provisions for liabilities and charges (Continued)

Company	Deferred taxation £'000	Aftercare £'000	Site restoration £'000	Total £'000
At 1 July 2002	-	21,794	21,452	43,246
Transfer from debtors (note 15)	(60)	-	-	(60)
Charged/(credited) to the profit and loss account	1,070	(158)	751	1,663
Increase in restoration asset	-	-	146	146
Utilised during the period	-	(1,092)	(1,012)	(2,104)
<b>At 30 June 2003</b>	<b>1,010</b>	<b>20,544</b>	<b>21,337</b>	<b>42,891</b>

	Group 2003 £'000	Group 2002 £'000	Company 2003 £'000	Company 2002 £'000
<b>Provision for deferred tax</b>				
<b>Deferred tax liability</b>				
Accelerated capital allowances	9,014	7,894	8,745	-
Other timing differences	(7,775)	(7,743)	(7,735)	-
	<u>1,239</u>	<u>151</u>	<u>1,010</u>	<u>-</u>
<b>Deferred tax asset</b>				
Accelerated capital allowances	(570)	(1,437)	-	7,671
Other timing differences	(336)	(29)	-	(7,731)
	<u>(906)</u>	<u>(1,466)</u>	<u>-</u>	<u>(60)</u>
<b>Total provision for deferred tax</b>	<u>333</u>	<u>(1,315)</u>	<u>1,010</u>	<u>(60)</u>

# 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 2002 and 30 June 2003	<u>193,268,594</u>	38,654	<u>190,923,140</u>	38,185
<i>Deferred shares of 20p each</i>				
At 1 July 2002 and 30 June 2003	<u>6,731,406</u>	1,346	<u>6,731,406</u>	1,346
<i>Total share capital</i>				
At 1 July 2002 and 30 June 2003		<u>40,000</u>		<u>39,531</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 2002	4,790	635
Profit for the period before dividends	1,381	2,700
Dividends	<u>(3,000)</u>	<u>(3,000)</u>
At 30 June 2003	<u>3,171</u>	<u>335</u>

### 21 Reconciliation of movements in group shareholder's funds

	2003	2002
	£'000	£'000
Profit for the financial period	1,381	13,099
Dividends	<u>(3,000)</u>	<u>(7,200)</u>
	(1,619)	5,899
Increase in issued share capital	-	24,000
Increase in shareholders' funds	<u>(1,619)</u>	<u>29,899</u>
Opening shareholders' funds	46,792	16,893
Closing shareholders' funds	<u>45,173</u>	<u>46,792</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 £2,700,000 (18 months ended 30 June 2002: £7,848,000).

# Cleanaway Limited

## Notes To The Financial Statements

### 22 Acquisitions

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

	Group £'000	Company £'000
Fair value of net assets acquired	965	-
Goodwill	2,692	-
Consideration - Cash	3,657	-

On 28 August 2002 the group acquired an unincorporated business for a total consideration of £3,657,000. Fair value and book value of the net assets acquired was £965,000 and the goodwill arising of £2,692,000 has been treated as an intangible fixed asset, and is being written off over its estimated useful life of twenty years.

### 23 Disposals

On 28 March 2003, the group disposed of its Repairs & Maintenance businesses for a total consideration of £8,736,000. Details of the net assets sold are set out below:

	£'000	£'000
Goodwill		3,507
Tangible fixed assets		2,606
Stock and Work in Progress		1,754
Debtors		6,930
Creditors		(5,659)
Net assets		9,138
Disposal costs		3,200
Consideration - Cash	7,568	
- Deferred	1,168	(8,736)
Loss on disposal of business		3,602

The deferred consideration is receivable within the next 12 months dependant upon the future performance of the business.

# Cleanaway Limited

## Notes To The Financial Statements

### 24 Pension costs

#### 24a 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 12 month period in respect of defined benefit schemes was £5,665,000 (18 months to 30 June 2002: £8,807,000).

A net prepayment of £2,796,000 (2002: £1,696,000) 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
<b>Date of last valuation</b>	5 April 2000	5 April 2000	5 April 2001
<b>Market Value of investments (£'000)</b>	69,963	7,214	3,437
<b>Method used</b>	Projected unit	Projected unit	Projected unit
<b>Main assumptions</b>			
Compensation	3.8%	5.0%	4.6%
Inflation	2.5%	3.0%	2.6%
Pension increase	2.5%	3.0%	2.5%
<b>Level of funding</b>	102%	93%	94%

One of the Cleanaway pension schemes has a deficit of 7% on a current funding level. This deficiency together with the deficiencies noted above will be 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 £3,366,000 (2002: £3,340,000).

# Cleanaway Limited

## Notes To The Financial Statements

### 24 Pension costs (Continued)

#### 24b 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	Cleanaway schemes		Service team schemes	
	2003	2002	2003	2002
Rate of increase in pensionable salaries	3.75%	3.95%	3.75%	4.8%
Rate of increase in pensions	2.50%	2.70%	2.50%	2.8%
Discount rate	5.25%	5.90%	5.25%	5.8%
Inflation assumption	2.50%	2.70%	2.50%	2.8%
Return on equities	7.30%	7.30%	7.50%	8.0%
Return on bonds	5.00%	5.00%	5.00%	5.5%
Return on property	7.30%	7.30%	-	-
Return on cash	-	-	3.75%	4.0%

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 2003 would have been as follows:

	<b>2003</b>
	<b>£'000</b>
<b>Operating Profit</b>	
Current service cost	(5,276)
Past service costs	(102)
Total operating charge	<u>(5,378)</u>
<b>Other Finance Income / Liabilities</b>	
Expected return on pension scheme assets	5,461
Interest on pension scheme liabilities	<u>(6,307)</u>
	<u>(846)</u>
	<b>2003</b>
	<b>£'000</b>
<b>Statement of Total Recognised Gains and Losses</b>	
Difference between actual and expected return on scheme assets	(7,214)
Experience gains arising on scheme liabilities	580
Effects of changes in assumptions underlying the present value of the scheme liabilities	(12,520)
Actuarial loss recognised	<u>(19,154)</u>

# Cleanaway Limited

## Notes To The Financial Statements

### 24 Pension costs (Continued)

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

	Cleanaway schemes		Serviceteam schemes	
	Long term rate of return expected as at 30 June 2003	Value at 30 June 2003 £'000	Long term rate of return expected as at 30 June 2003	Value at 30 June 2003 £'000
Equities	7.30%	46,507	7.50%	8,215
Bonds	5.00%	19,257	5.00%	1,190
Property	7.30%	2,515	-	-
Cash	4.00%	-	3.75%	822
Insurance bonds	-	-	4.50%	3,868
<b>Total market value of assets</b>		<b>68,279</b>		<b>14,095</b>
Present value of scheme liabilities		(109,068)		(19,579)
Deficit in the scheme		(40,789)		(5,484)
Related deferred tax asset @ 30%		12,237		1,645
Net pension liability		(28,552)		(3,839)

The value of the assets and the expected rates of return of each scheme as at 30 June 2002 were:

	Cleanaway schemes		Serviceteam schemes	
	Long term rate of return expected as at 30 June 2002	Value at 30 June 2002 £'000	Long term rate of return expected as at 30 June 2002	Value at 30 June 2002 £'000
Equities	7.3%	49,497	8.0%	7,897
Bonds	5.0%	14,630	5.5%	1,184
Property	7.3%	436	-	-
Cash	-	-	4.0%	430
Insurance bonds	-	-	5.8%	2,564
<b>Total market value of assets</b>		<b>64,563</b>		<b>12,075</b>
Present value of scheme liabilities		(88,126)		(16,479)
Deficit in the scheme		(23,563)		(4,404)
Related deferred tax asset @ 30%		7,069		1,321
Net pension liability		(16,494)		(3,083)



# Cleanaway Limited

## Notes To The Financial Statements

### 24 Pension costs (Continued)

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

	Cleanaway Pension Schemes £'000	Serviceteam Pension Schemes £'000	12m ended 30 June 2003 £'000
<b>Movement in deficit during the period</b>			
Deficit as 1 July 2002	(23,563)	(4,404)	(27,967)
Movement in the period			
Current service cost	(3,265)	(2,011)	(5,276)
Contributions	4,821	2,251	7,072
Past service costs	(102)	-	(102)
Other financial income	(753)	(93)	(846)
Actuarial loss	(17,927)	(1,227)	(19,154)
Deficit in scheme at 30 June 2003	(40,789)	(5,484)	(46,273)

If FRS 17 has been adopted in these financial statements, the Group's net assets and profit and loss reserve as at 30 June 2003 and 30 June 2002 would have been as follows:

	2003 £'000	2002 £'000
<b>Net Assets</b>		
Net assets excluding pension asset	42,377	45,096
Net Pension liability	(32,391)	(19,577)
Net assets on FRS 17 basis	9,986	25,519

#### Reserves

Profit and loss reserve excluding pension asset	375	3,094
Pension reserve	(32,391)	(19,577)
Profit and loss reserve on FRS 17 basis	(32,016)	(16,483)

#### History of experience gains and losses

	Cleanaway Schemes	Serviceteam Schemes
Difference between the expected and actual return on scheme assets		
Amount (£'000)	(5,911)	(1,303)
Percentage of scheme assets	9%	9%
Experience gains and losses on scheme liabilities		
Amount (£'000)	637	(57)
Percentage of present value of scheme liabilities	1%	0%
Total amount recognised in statement of total recognised gains and losses		
Amount (£'000)	(17,927)	(1,227)
Percentage of present value of scheme liabilities	26%	9%

## Cleanaway Limited

### Notes To The Financial Statements

#### 24 Pension costs (Continued)

The Group has admitted body status into the schemes set out below for former council employees who have transferred into the Group under TUPE transfer arrangements. The Group is unable to identify its share of the underlying assets and liabilities of each scheme and therefore under FRS 17 the Group has accounted for them as defined contribution schemes.

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

#### 25 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.

#### 26 Financial commitments

##### Operating leases

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

	Land and buildings £'000	Others £'000	2003 Total £'000	2002 Total £'000
Within one year	180	374	554	886
Within one to two years	303	33	336	721
Within two to five years	470	445	915	410
After more than five years	2,762	28	2,790	2,766
	3,715	880	4,595	4,783

#### 27 Future capital expenditure

The board of directors has approved authorised and contracted capital expenditure for which no provision has been made in these financial statements of £5,903,000 (2002: £5,756,000).

## Cleanaway Limited

### Notes To The Financial Statements

#### 28 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:

	<b>Brambles Industries Limited £'000</b>	<b>Brambles Industries plc £'000</b>
Short Term loan interest payable	333	333
Loan interest payable	-	9,556
Management fee payable	1,451	431
Guarantee fees	51	55
	<u>1,835</u>	<u>10,375</u>

During the year, the maximum amount borrowed by the group from a subsidiary of Brambles Industries plc was £177,393,000 (2002: £140,000,000), of which £160,978,000 (2002: £135,000,000) was outstanding at 30 June 2003.

Cleanaway Holdings Limited is the only parent company to prepare group accounts for the year ended 30 June 2003 which include the company. Copies of these accounts are available from Companies House, Crown Way, Maindy, Cardiff, CF4 3UZ.