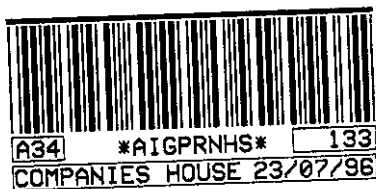


Company Registered Number: 2206141

CAIRD ENVIRONMENTAL LIMITED
REPORT AND ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1995



CAIRD ENVIRONMENTAL LIMITED

DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1995.

PRINCIPAL ACTIVITY AND BUSINESS REVIEW

The principal activity of the company is that of the provision of waste management services.

RESULTS AND DIVIDEND

Results for the year are set out in the Profit and Loss Account on page 5. No dividend is proposed (1994 - £nil).

TANGIBLE FIXED ASSETS

Changes in tangible fixed assets are shown in note 8.

INDEMNITY INSURANCE

Caird Group PLC maintains an insurance policy which provides for indemnity cover for directors of the company up to certain limits.

INVESTMENTS

Movements in investments in subsidiary undertakings during the year are shown in note 9.

DIRECTORS

The directors of the company during the year were :

K.J.Bond (resigned 31 May 1995)
S.J. Hynes
D.R.Flynn
D.T.Weir (appointed 11 January 1995)

DIRECTORS' INTERESTS

The directors had no beneficial interests in the share capital of the company.

The beneficial interests in the ordinary shares of Caird Group PLC of those persons who were directors of the company at the year end but not directors of Caird Group PLC were as follows:

	<u>Ordinary Shares</u>		<u>Share Options</u>	
	<u>31 December</u>		<u>31 December</u>	
	<u>1995</u>	<u>1994</u>	<u>1995</u>	<u>1994</u>
	Number	Number	Number	Number
S.Hynes	4,875	4,875	125,000	125,000
D.R.Flynn	-	-	50,000	50,000
D.T.Weir	-	-	250,000	250,000

CAIRD ENVIRONMENTAL LIMITED

DIRECTORS' REPORT

(continued)

Following the financial reconstruction on 13 March 1996, all options in respect of ordinary shares will be adjusted in accordance with the conversion of ordinary shares into new ordinary shares as outlined in the restructuring proposals.

EMPLOYEE INVOLVEMENT

The company encourages the development of employee involvement. Employees are kept informed about the company's development by periodic circulars and bulletins on notice boards.

EMPLOYMENT OF DISABLED PERSONS

The company's policy in respect of disabled persons is the same as that relating to all other employees in matters of recruitment, training, career development and promotion. Where employees become disabled in the course of their employment the company will endeavour to continue to provide employment.

EQUAL OPPORTUNITIES

The company's objective is to treat all its employees fairly and to avoid any form of discrimination in employment. Its policy is to provide equal opportunities for men and women in the areas of recruitment, selection for promotion and training and it requires that its employees observe this policy and avoid any form of discrimination on any grounds.

AUDITORS

A resolution to re-appoint Ernst & Young as auditors will be put to the members at the Annual General Meeting.

ON BEHALF OF THE BOARD

A handwritten signature in black ink, appearing to be 'D.R. FLYNN', written over the text 'ON BEHALF OF THE BOARD'.

D.R.FLYNN
DIRECTOR

1 May 1996

CAIRD ENVIRONMENTAL LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

IN RESPECT OF THE ACCOUNTS

Company law requires the directors to prepare accounts for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss for that period. In preparing those accounts 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 accounts; and
- prepare the accounts on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors confirm that the accounts comply with the above requirements.

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 accounts 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.

REPORT OF THE AUDITORS, ERNST & YOUNG,
TO THE MEMBERS OF
CAIRD ENVIRONMENTAL LIMITED

We have audited the accounts on pages 5 to 21 which have been prepared under the historical cost convention, as modified by the revaluation of certain fixed assets, and on the basis of the accounting policies set out on pages 8 to 10.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of the accounts. It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

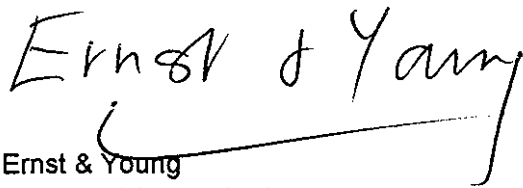
Basis of opinion

We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the accounts, 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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the company as at 31 December 1995 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



Ernst & Young
Chartered Accountants
Registered Auditor
Liverpool

2 May 1996

CAIRD ENVIRONMENTAL LIMITED

PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 1995

	Notes	Before exceptional items 1995 £	Exceptional items (see note 5) 1995 £	Total 1995 £	Total 1994 £
Turnover	2a	13,968,808	-	13,968,808	12,097,492
Cost of sales		(9,009,626)	(5,135,000)	(14,144,626)	(8,114,028)
Gross profit		4,959,182	(5,135,000)	(175,818)	3,983,464
Operating expenses		(2,393,611)	-	(2,393,611)	(2,400,392)
Central administration	- ongoing	(1,382,921)	-	(1,382,921)	(1,448,835)
	- re investments in subsidiaries	-	(3,360,194)	(3,360,194)	1,498,811
Operating (loss)/profit	2b	1,182,650	(8,495,194)	(7,312,544)	1,633,048
Exceptional items	5				
Provisions for losses on disposal assets (1994 - actual loss)		-	(3,366,644)	(3,366,644)	(284,878)
(Loss)/profit on ordinary activities before interest		1,182,650	(11,861,838)	(10,679,188)	1,348,170
Net interest payable	6	(1,795,699)	-	(1,795,699)	(1,133,096)
(Loss)/profit on ordinary activities before taxation		(613,049)	(11,861,838)	(12,474,887)	215,074
Tax on (loss)/profit on ordinary activities	7	(386,861)	-	(386,861)	386,036
(Loss)/profit for the financial year		(999,910)	(11,861,838)	(12,861,748)	601,110

There were no recognised gains and losses other than the loss for the year

Movements on reserves are set out in notes 20 and 21.

CAIRD ENVIRONMENTAL LIMITED

NOTE OF HISTORICAL COST PROFITS AND LOSSES

FOR THE YEAR ENDED 31 DECEMBER 1995

	<u>1995</u>	<u>1994</u>
	<u>£</u>	<u>£</u>
Reported (loss)/profit on ordinary activities before taxation	(12,474,887)	215,074
Difference between historical cost depreciation and actual depreciation charge for the year calculated on the revalued amount	1,774,874	163,250
	<u>(10,700,013)</u>	<u>378,324</u>
Historical cost (loss)/profit on ordinary activities before taxation		
	<u>(11,086,874)</u>	<u>764,360</u>

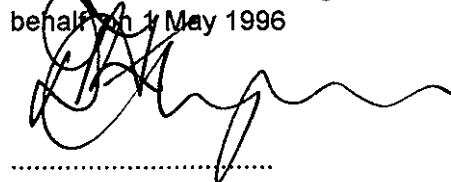
CAIRD ENVIRONMENTAL LIMITED

BALANCE SHEET

AT 31 DECEMBER 1995

	Notes	1995		1994	
		£	£	£	£
ASSETS EMPLOYED					
Fixed assets					
Tangible assets	8	17,538,043		28,578,951	
Investments	9	1,558,791		1,116,442	
		<u>19,096,834</u>		<u>29,695,393</u>	
Current assets					
Disposal assets	10	2,897,839		3,242,743	
Stocks	11	489,451		757,208	
Debtors	12	9,194,135		12,434,137	
Cash at bank and in hand		<u>4,850</u>		<u>4,700</u>	
		<u>12,586,275</u>		<u>16,438,788</u>	
Creditors : amounts falling due within one year					
	13	<u>(11,853,420)</u>		<u>(21,965,627)</u>	
Net current assets/(liabilities)			732,855		(5,526,839)
Total assets less current liabilities			<u>19,829,689</u>		<u>24,168,554</u>
FINANCED BY					
Creditors : amounts falling due after more than one year	14	5,877,259		7,099,939	
Holding company loan	15	54,225,901		44,464,054	
Deferred income	17	<u>5,304</u>		<u>21,588</u>	
		<u>60,108,464</u>		<u>51,585,581</u>	
Capital and reserves					
Called up share capital	18	2		2	
Revaluation reserve	19	306,285		2,081,159	
Profit and loss account	20	<u>(40,585,062)</u>		<u>(29,498,188)</u>	
Equity shareholders' funds	22	<u>(40,278,775)</u>		<u>(27,417,027)</u>	
			<u>19,829,689</u>		<u>24,168,554</u>

These accounts were approved by the Board of Directors and signed on their behalf on 1 May 1996



.....
D.R.FLYNN

CAIRD ENVIRONMENTAL LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1995

1. ACCOUNTING POLICIES

Accounting Convention

The accounts have been prepared under the historical cost convention, modified to include the revaluation of certain freehold land and buildings, and in accordance with Applicable Accounting Standards. Group accounts have not been prepared as the company is a wholly owned subsidiary of Caird Group PLC.

The principal accounting policies, which are applied consistently throughout the Caird Group are as follows:

(a) Depreciation

The cost of tangible fixed assets except freehold land is depreciated to estimated residual value by equal annual instalments over the following estimated useful lives:

Freehold buildings	25 or 50 years
Leasehold land and buildings	Period of lease
Plant and equipment	3 - 15 years

Landfill sites are stated at cost or valuation less amounts written off. Depreciation is provided to the extent that the net capacity of each site is utilised in the period. Costs incurred on the development of sites prior to their becoming operational are capitalised. Such expenditure is amortised over the life of the asset to which it relates, commencing when the asset becomes operational.

Interest payable on funds borrowed to finance the purchase of certain major fixed assets is added to the cost of those assets prior to their being brought into use and depreciated over their estimated useful lives.

(b) Investments in subsidiaries

Investments in subsidiaries are stated at cost less provisions for any permanent diminution in value.

CAIRD ENVIRONMENTAL LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1995

(continued)

(c) Advance Corporation Tax

Advance corporation tax on dividends paid and proposed is carried forward to the extent that it can be recovered. Advance corporation tax in excess of this is written off as part of the taxation charge for the year.

(d) Goodwill

Goodwill representing the excess cost of acquiring businesses and assets over their fair value is written off as a movement on reserves.

(e) Deferred taxation

Deferred taxation is provided using the liability method in respect of all timing differences to the extent that it is probable that liabilities will crystallise in the foreseeable future.

(f) Pensions

Pension contributions are charged to the Profit and Loss Account in the period in which they become payable in respect of defined contribution schemes.

(g) Turnover

Turnover, all of which occurred in the United Kingdom, represents external charges for waste management services and sales of materials extracted or recycled from landfill sites during the course of development or operation.

Direct costs incurred in relation to sales of materials are charged to the Profit and Loss Account.

(h) Stocks

Stocks are stated at the lower of cost and net realisable value. Cost comprises material, labour and attributable overheads.

(i) Leases

Assets acquired under finance leases are capitalised and depreciated in the same manner as owned tangible fixed assets. Obligations under finance leases are included in creditors. Rentals payable under finance leases are allocated between capital, which reduces the outstanding obligation, and interest, which is charged to Profit and Loss Account on a basis which produces a constant periodic rate of charge on the outstanding obligation.

Rentals payable under operating leases are charged to the Profit and Loss Account in the period in which they become payable.

CAIRD ENVIRONMENTAL LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1995

(continued)

(j) Cashflow Statement

The company is exempt from the requirement to include a cashflow statement in these accounts, as it is a wholly owned subsidiary of Caird Group PLC, whose consolidated accounts include a cashflow statement dealing with the cash flows of the group.

2a. SEGMENTAL ANALYSIS

	1995	1994
	£	£
Turnover		
Continuing operations		
Waste management services :		
Landfill	8,631,998	5,817,306
Special waste	5,307,278	6,280,186
Other	29,532	-
	<u>13,968,808</u>	<u>12,097,492</u>

	Before exceptional items 1995	Exceptional items 1995	Total 1995	Total 1994
	£	£	£	£
Profit/(loss) on ordinary activities before interest				
Waste management services:				
Landfill	2,040,169	(6,084,000)	(4,043,831)	850,796
Special Waste	496,845	(496,944)	(99)	768,330
	<u>2,537,014</u>	<u>(6,580,944)</u>	<u>(4,043,930)</u>	1,619,126
Disposal Assets	-	(1,920,700)	(1,920,700)	(284,878)
Central administration costs				
- ongoing	(1,354,364)	-	(1,354,364)	(1,484,889)
- investments in subsidiaries	-	(3,360,194)	(3,360,194)	1,498,811
	<u>1,182,650</u>	<u>(11,861,838)</u>	<u>(10,679,188)</u>	<u>1,348,170</u>

2b. OPERATING (LOSS)/PROFIT

	1995	1994
	£	£
This is stated after charging/(crediting) :		
Depreciation	3,320,113	3,043,899
Auditors' remuneration	51,750	50,000
- audit services		
- non audit services	14,012	7,500
Operating lease charges - plant and machinery	296,788	199,430
(Profit)/loss on sale of assets	(129,066)	21,526
Increase in provision against amounts due from subsidiary undertakings	3,802,543	94,800
(Decrease)/increase in provision for diminution in value of investments in subsidiaries	(442,349)	381,269
Release of provision for diminution in value of investments in subsidiaries de-registered	-	(1,974,880)
	<u>-</u>	<u>(1,974,880)</u>

CAIRD ENVIRONMENTAL LIMITED
NOTES TO THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 1995
(continued)

3. STAFF NUMBERS AND COSTS

The average number of employees (including directors) during the year was as follows:

	<u>1995</u>	<u>1994</u>
	Number	Number
Administration and management	35	40
Landfill	44	52
Special waste	80	90
	<u>159</u>	<u>182</u>

Staff costs were as follows:

	<u>1995</u>	<u>1994</u>
	£	£
Wages and salaries	2,464,922	2,723,988
Social security costs	227,503	268,001
Other pension costs	70,258	70,854
	<u>2,762,683</u>	<u>3,062,843</u>

4. DIRECTORS' REMUNERATION

Directors' emoluments in respect of management of the company :

	<u>1995</u>	<u>1994</u>
	£	£
Emoluments including benefits in kind	296,240	154,027
Pension contributions	15,562	9,450
	<u>311,802</u>	<u>163,477</u>
Compensation on termination of service contracts	31,333	-
	<u>343,135</u>	<u>163,477</u>

Highest paid director

Emoluments including benefits in kind	138,170	64,825
Pension contributions	7,468	3,850
	<u>145,638</u>	<u>68,675</u>

CAIRD ENVIRONMENTAL LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1995

(continued)

4. DIRECTORS' REMUNERATION (continued)

The emoluments of the directors fell into the following bands :

	<u>1995</u>	<u>1994</u>
	Number	Number
£40,001 - £45,000	-	1
£45,001 - £50,000	-	1
£50,001 - £55,000	1	-
£60,001 - £65,000	1	1
£70,001 - £75,000	1	-
£135,001 - £140,000	1	-
	<u>1</u>	<u>-</u>

5. EXCEPTIONAL ITEMS

During the year the carrying values of all fixed assets including those classified as Disposal Assets were reviewed. The resulting write downs and provisions have been charged to the profit and loss account as detailed below :

	<u>1995</u>	<u>1994</u>
	£'000	£'000
Landfill		
Write-down in asset values :		
Operational sites	4,822	-
Assets identified for disposal (1994 - actual loss)	1,262	104
	<u>6,084</u>	<u>104</u>
Special waste		
Write-down in asset values :		
Operational sites	313	-
Assets identified for disposal	140	-
	<u>453</u>	<u>-</u>
Non-operating and other assets		
Write-down in asset values	44	-
Disposal assets		
Estimated disposal losses (1994 - actual loss)	1,921	181
Provision re investments in subsidiaries	3,360	1,499
Total provisions and write offs	<u>11,862</u>	<u>1,784</u>

Shown in the profit and loss account: :

Write down in operational fixed assets within cost of sales	5,135	-
Write down of investments in subsidiary undertakings		
within central administration costs	3,360	1,499
Provision for losses on Disposal Assets (1994 - actual loss)	3,367	285
	<u>11,862</u>	<u>1,784</u>

CAIRD ENVIRONMENTAL LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1995

(continued)

6. INTEREST

	1995	1994
	£	£
Interest payable :		
on bank borrowings and other loans repayable		
within five years	1,742,091	859,204
on other loans	(67,431)	(11,692)
on finance leases	126,890	311,777
	1,801,550	1,159,289
Interest receivable	(5,851)	(26,193)
	<u>1,795,699</u>	<u>1,133,096</u>

The Group's bankers have waived certain interest during 1994 and accepted in substitution an interest charge linked to the Group's profitability for the two years ending 31 December 1995.

The results for 1994 shown above have been arrived at after charging an amount representing the Directors' best estimate of the likely charge for the period covered by the bank's waiver.

7. TAXATION

	1995	1994
	£	£
The tax charge/(credit) may be analysed as follows :		
Corporation tax at 33 % (1994 - 33 %)		
previous year adjustment	-	11,070
Group relief at 33% (1994 - 33%)		
current year	-	(105,301)
previous year adjustment	386,861	(291,805)
	<u>386,861</u>	<u>(386,036)</u>

The charge/(credit) for group relief represents consideration due to/(from) group undertakings in respect of tax losses surrendered.

There is no tax credit to be taken relating to exceptional items (1994 - nil).

The full potential liability to deferred tax is £nil (1994 - nil).

CAIRD ENVIRONMENTAL LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1995

(continued)

8. TANGIBLE FIXED ASSETS

	Land and buildings £	Plant and equipment £	Total £
Cost or valuation			
At 1 January 1995	36,145,315	10,022,259	46,167,574
Additions	972,013	429,836	1,401,849
Intra group transfers in	-	50,065	50,065
Transfers to disposal assets	(6,067,299)	(1,095,315)	(7,162,614)
Disposals	(4,811)	(2,375,011)	(2,379,822)
At 31 December 1995	31,045,218	7,031,834	38,077,052
Depreciation			
At 1 January 1995	11,568,399	6,020,224	17,588,623
Intra group transfers in	-	5,480	5,480
Charge for the year	2,529,461	790,652	3,320,113
Exceptional charge	6,127,730	313,076	6,440,806
Transfers to disposal assets	(4,367,854)	(1,095,315)	(5,463,169)
Disposals	(1,198)	(1,351,646)	(1,352,844)
At 31 December 1995	15,856,538	4,682,471	20,539,009
Net book value			
At 31 December 1995	15,188,680	2,349,363	17,538,043
At 31 December 1994	24,576,916	4,002,035	28,578,951

The historical cost of the land and buildings is as follows:

	£
At 31 December 1995	28,698,422
At 31 December 1994	33,798,519

The cost of land and buildings includes £496,361 (1994 - £3,480,457) which is not depreciated and capitalised interest of £6,000 (1994 - £1,409,000). Legal title to some of the Caird Group's properties is held by group companies other than those in which the beneficial interest is vested, pending transfer of registered ownership.

CAIRD ENVIRONMENTAL LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1995

8. TANGIBLE FIXED ASSETS (continued)

The net book value of land and buildings comprise :	<u>1995</u>	<u>1994</u>
	£	£
	£,000	£,000
Freehold	15,055	24,200
Short Leasehold	134	377
	<u>15,189</u>	<u>24,577</u>

Fixed assets amounting to a net book value of £532,000 (1994 - £1,915,000) were held under finance leases. The depreciation charge for the year on those assets was £395,000 (1994 - £660,000).

9. INVESTMENTS

	Shares in subsidiary undertakings
Cost	£
At 1 January and 31 December 1995	<u>3,473,110</u>
Less provision	
At 1 January 1995	2,356,668
Movement in year	<u>(442,349)</u>
At 31 December 1995	<u>1,914,319</u>
Total investment	
At 31 December 1995	<u>1,558,791</u>
At 31 December 1994	<u>1,116,442</u>

The following companies were subsidiaries of Caird Environmental Limited at 31 December 1995. All holdings are 100% of the Ordinary shares of those companies and are held directly. All companies operate in their country of registration, and were engaged in the provision of waste management services.

CAIRD ENVIRONMENTAL LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1995

(continued)

9. INVESTMENTS (Continued)

<u>Company</u>	<u>Country of Registration</u>
Atlas Clensol Limited	England
Caird Commercial Vehicles Limited	England
Caird Environmental (East) Limited	England
Caird Industrial Services Limited	England
Caird Treatment Centres Limited	England
Hirt Combustion Engineers Limited	England
Caird Process Engineers Limited	England
Kinnis & Brown (Chemical Services) Limited	England
Norfolk Environmental Developments Limited	England
Solvex Environmental Services Limited	Scotland

10. DISPOSAL ASSETS

Arising from the strategic review undertaken during 1993 and a further review in 1995 certain fixed assets have been designated surplus to requirements in view of their non income producing status or lack of development. These assets are held for disposal and on such designation are transferred to the category of Disposal Assets on the balance sheet.

CAIRD ENVIRONMENTAL LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1995

(continued)

11. STOCKS

	1995	1994
	£	£
Raw materials and consumables	4,133	10,921
Work in progress	432,044	746,287
Finished goods	53,274	-
	<u>489,451</u>	<u>757,208</u>

12. DEBTORS

	1995	1994
	£	£
Trade debtors	3,398,902	2,520,135
Amounts owed by parent and fellow subsidiary undertakings	773,716	475,009
Amounts owed by subsidiary undertakings	4,674,558	9,013,968
Other debtors	39,528	57,342
Corporation tax	14,547	85,263
Prepayments	292,884	282,420
	<u>9,194,135</u>	<u>12,434,137</u>

13. CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR

	1995	1994
	£	£
Current instalments due on bank loans	312,000	-
Bank overdrafts	1,808,089	2,194,614
Trade creditors	1,178,986	1,522,970
Amounts owed to parent and fellow subsidiary undertakings	1,591,951	1,569,650
Amounts owed to subsidiary undertakings	1,547,741	11,834,750
Group relief payable	1,190,397	803,534
Other taxes and social security costs	858,666	407,166
Finance leases	353,369	835,833
Other creditors	1,316,655	415,335
Accruals	701,476	1,224,762
Arising from fundamental reorganisation	994,090	1,157,013
	<u>11,853,420</u>	<u>21,965,627</u>

The overdrafts are secured by a debenture charged on all of the Caird Group's assets.

CAIRD ENVIRONMENTAL LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1995

(continued)

14. CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	1995	1994
	£	£
Bank loans	4,688,000	5,000,000
Finance leases	581,845	1,442,532
Other creditors	607,414	657,407
	<u>5,877,259</u>	<u>7,099,939</u>

Bank loans are secured by fixed and floating charges over the group's assets and bear interest at market rates. Repayment is due to be made in monthly instalments from June 1996 to December 2003.

Bank Borrowings - Post Reconstruction

As detailed in the financial reconstruction proposals, total group bank borrowings were reduced by £12m on 13 March 1996. The bank loans at 31 December 1995 have been replaced by a new facility for the holding company, repayable by monthly instalments of £100,000 commencing October 1996.

Finance leases are secured against items of plant and equipment and bear interest at market rates.

	1995	1994
	£	£
Due between 1 and 2 years		
Bank loans	624,000	364,000
Finance leases	241,801	573,418
	<u>865,801</u>	<u>937,418</u>
Due within 2 to 5 years		
Bank loans	1,872,000	1,872,000
Finance leases	339,982	869,114
Other creditors	607,414	657,407
	<u>2,819,396</u>	<u>3,398,521</u>
Due after 5 years		
Bank loans	<u>2,192,000</u>	<u>2,764,000</u>

15. HOLDING COMPANY LOAN

The holding company, Caird Group PLC, has confirmed that it will not require repayment of amounts due totalling £54,225,901 (1994 - £ 44,464,054) in the foreseeable future and that it will continue to provide funding for acquisitions and for working capital requirements of the company and its subsidiaries to the extent that these are not met by external borrowings. For this reason the balance due to the holding company has been shown separately from amounts due to group companies which are included in creditors falling due within one year.

CAIRD ENVIRONMENTAL LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1995

(continued)

16. PROVISIONS FOR LIABILITIES AND CHARGES

No provision is made for the liability to corporation tax on capital gains estimated at £101,000 (1994 - £690,000) which would arise if certain land and buildings were to be sold at their revalued amounts due to the availability of capital losses.

17. DEFERRED INCOME

	Sale and leaseback £
At 1 January 1995	21,588
Credited to operating profit in the year	(16,284)
At 31 December 1995	<u>5,304</u>

18. CALLED UP SHARE CAPITAL

	1995 £	1994 £
Authorised:		
50,000 Ordinary shares of £1 each	<u>50,000</u>	<u>50,000</u>
Allotted, called up and fully paid:		
2 Ordinary shares of £1 each	<u>2</u>	<u>2</u>

19. REVALUATION RESERVE

	1995 £	1994 £
At 1 January	2,081,159	2,244,409
Additional depreciation on revalued assets transferred to Profit and Loss Account	(1,774,874)	(163,250)
At 31 December	<u>306,285</u>	<u>2,081,159</u>

The revaluation reserve relates to two freehold landfill sites which were valued by directors in 1990 at open market value based upon a professional valuation by surveyors, as part of a fair value review following the acquisition of two separate companies.

CAIRD ENVIRONMENTAL LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1995

(continued)

20. PROFIT AND LOSS ACCOUNT

£

At 1 January 1995	
Loss for the year	(29,498,188)
Additional depreciation on revalued assets transferred from Revaluation Reserve	(12,861,748)
At 31 December 1995	<u>1,774,874</u>
	<u>(40,585,062)</u>

21. PENSION ARRANGEMENTS

Certain eligible employees of the company participate in the Caird Environmental Limited and Associated Companies Retirement Savings Plan which is a defined contribution scheme. The company is also a member of the group's pension scheme operated by Caird Group Plc, the ultimate holding company. The scheme is a defined contribution scheme.

During the year the company made contributions of £93,610 (1994 - £70,854) to the schemes. No contributions were outstanding at 31 December 1994 or 1995.

22. RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS

	<u>1995</u>	<u>1994</u>
	£	£
Opening shareholders' funds	(27,417,027)	(28,018,137)
(Loss)/profit for the year	(12,861,748)	601,110
Closing shareholders' funds	<u>(40,278,775)</u>	<u>(27,417,027)</u>

23. OPERATING LEASE COMMITMENTS

The company's commitments in respect of operating leases of plant are as follows :

	<u>1995</u>	<u>1994</u>
	£	£
Amounts payable next year where leases expire :		
Within one year	40,579	50,248
Within two to five years	314,914	122,970
	<u>355,493</u>	<u>173,218</u>

CAIRD ENVIRONMENTAL LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1995

(continued)

24. CAPITAL COMMITMENTS

	<u>1995</u>	<u>1994</u>
	<u>£</u>	<u>£</u>
Authorised but not contracted	<u>52,000</u>	<u>183,000</u>

25. CONTINGENT LIABILITIES

The company also has bonds, indemnities and guarantees outstanding in favour of its bankers of £155,000 (1994 - £ 217,000).

All properties and assets are charged for the Caird Group under cross-guarantees and debentures in favour of a bank.

26. ULTIMATE HOLDING COMPANY

The company's parent and ultimate holding company is Caird Group PLC, a company registered in Scotland.

Copies of the Group Accounts are available from North Road, Ellesmere Port, South Wirral, L65 1AE.