

Company Registered Number: 2206141

**CAIRD ENVIRONMENTAL LIMITED**  
**REPORT AND ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1997**



# CAIRD ENVIRONMENTAL LIMITED

## DIRECTORS' REPORT

The directors present their report and accounts for the year ended 31 December 1997

### 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 (1996 - £nil).

### TANGIBLE FIXED ASSETS

Changes in tangible fixed assets are shown in note 9.

### INVESTMENTS

Movements in investments in subsidiary undertakings during the year are shown in note 10.

### DIRECTORS

The directors of the company during the year were :

S.J. Hynes  
D.R.Flynn  
D.T.Weir

### 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 31 December 1996 but not directors of Caird Group PLC were as follows:

	£1 Ordinary Shares		<i>£1 Ordinary Shares under option as at 31 December</i>		
			1996	Granted	1997
D R Flynn	-	(a)	7,500	-	7,500
		(b)	5,000	-	5,000
		(c)	-	5,000	5,000
			12,500	5,000	17,500
S J Hynes	-	(a)	7,500	-	7,500
		(b)	5,000	-	5,000
		(c)	-	7,500	7,500
		(d)	42	-	42
		(e)	27	-	27
			12,569	7,500	20,069

**CAIRD ENVIRONMENTAL LIMITED**

**DIRECTORS' REPORT**

**(continued)**

Share options (a), (b) and (c) are held under the Caird Executive Share Option Scheme and options (d) and (e) under the Caird Savings Related Option Scheme.

No options were exercised during the year and there have been no changes in the directors' interests from 31 December 1997 to the date of this report.

**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.

**PAYMENT OF SUPPLIERS**

It is the company's payment policy, in respect of all suppliers, to settle agreed outstanding accounts in accordance with terms and conditions agreed with suppliers when placing orders. The company will abide by these terms of payment.

**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



**D.R.FLYNN**  
DIRECTOR

30 April 1998

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**

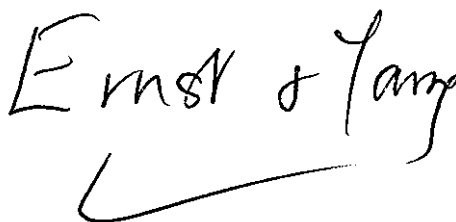
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgements made by 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 1997 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Ernst & Young  
Chartered Accountants  
Registered Auditor  
Liverpool

A handwritten signature in black ink, appearing to read 'Ernst & Young', with a large, sweeping underline.

30 April 1998

**CAIRD ENVIRONMENTAL LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**FOR THE YEAR ENDED 31 DECEMBER 1997**

	<i>Notes</i>	<u>1997</u> £	<u>1996</u> £
Turnover	2	13,472,283	12,977,721
Cost of sales		(7,525,213)	(7,984,191)
Gross profit		<u>5,947,070</u>	<u>4,993,530</u>
Operating expenses		(2,786,897)	(2,167,466)
Central administration			
Ongoing		(1,042,642)	(1,322,035)
Investments in subsidiaries		<u>(25,604)</u>	<u>217,918</u>
<b>Operating profit</b>	3	2,091,927	1,721,947
<b>Exceptional items</b>			
Reconstruction fees	6	-	(348,039)
Reorganisation provisions no longer required	6	607,414	-
<b>Profit on ordinary activities before interest</b>	2	2,699,341	1,373,908
Interest	7	(188,723)	(303,561)
<b>Profit on ordinary activities before taxation</b>		2,510,618	1,070,347
Taxation	8	(260,571)	(136,955)
<b>Profit for the financial year</b>		<u>2,250,047</u>	<u>933,392</u>

There were no recognised gains and losses other than the profit 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 1997

	<u>1997</u>	<u>1996</u>
	£	£
Reported profit on ordinary activities before taxation	2,510,618	1,070,347
Difference between historical cost depreciation and actual depreciation charge for the year calculated on the revalued amount	18,414	30,571
Historical cost profit on ordinary activities before taxation	<u>2,529,032</u>	<u>1,100,918</u>
Historical cost profit for the financial year	<u>2,268,461</u>	<u>963,963</u>

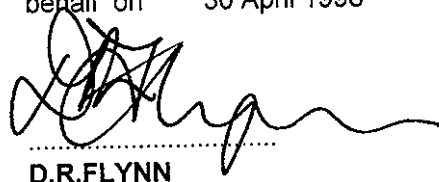
CAIRD ENVIRONMENTAL LIMITED

BALANCE SHEET

AT 31 DECEMBER 1997

	Notes	1997	1996
		£	£
<b>ASSETS EMPLOYED</b>			
<b>Fixed assets</b>			
Tangible assets	9	18,990,265	16,915,684
Investments	10	1,372,959	1,390,985
		<u>20,363,224</u>	<u>18,306,669</u>
<b>Current assets</b>			
Disposal assets	11	2,595,184	2,826,934
Stocks	12	460,261	430,298
Debtors	13	13,418,462	11,338,675
Cash at bank and in hand		247,924	2,348,240
		<u>16,721,831</u>	<u>16,944,147</u>
<b>Creditors : amounts falling due within one year</b>	14	<u>(13,295,059)</u>	<u>(12,904,785)</u>
<b>Net current assets</b>		3,426,772	4,039,362
<b>Total assets less current liabilities</b>		<u>23,789,996</u>	<u>22,346,031</u>
<b>FINANCED BY</b>			
Creditors : amounts falling due after more than one year	15	72,752	919,472
Holding company loan	16	60,726,758	60,738,494
<b>Provisions for liabilities and charges</b>			
Deferred tax	17	85,822	32,333
<b>Deferred income</b>	18	-	1,115
		<u>60,885,332</u>	<u>61,691,414</u>
<b>Capital and reserves</b>			
Called up share capital	19	2	2
Revaluation reserve	20	257,300	275,714
Profit and loss account	21	(37,352,638)	(39,621,099)
Equity shareholders' funds	23	(37,095,336)	(39,345,383)
		<u>23,789,996</u>	<u>22,346,031</u>

These accounts were approved by the Board of Directors and signed on their behalf on 30 April 1998



D.R.FLYNN



**CAIRD ENVIRONMENTAL LIMITED**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 1997**

**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 to 50 years
Leasehold land and buildings	Period of lease
Plant and equipment	3 to 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.

**(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 1997**

**(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. Landfill tax is excluded from turnover. 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 on a straight line basis over the lease term.

CAIRD ENVIRONMENTAL LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1997

(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.

**2 SEGMENTAL ANALYSIS**

	1997	1996
	£	£
<b>Turnover</b>		
Continuing operations		
Waste management services :		
Landfill	6,854,546	7,347,215
Special waste	6,603,844	5,617,040
Other	13,893	13,466
	<u>13,472,283</u>	<u>12,977,721</u>

	1997	1996
	£	£
<b>Profit on ordinary activities before interest</b>		
Waste management services:		
Landfill	2,582,611	2,345,871
Special Waste	577,562	466,675
	<u>3,160,173</u>	<u>2,812,546</u>
Central administration costs		
Ongoing	(1,042,642)	(1,308,517)
Investments in subsidiaries	(25,604)	217,918
Non-operating exceptional items	607,414	(348,039)
	<u>2,699,341</u>	<u>1,373,908</u>

**3 OPERATING PROFIT**

	1997	1996
	£	£
<b>Operating profit on ordinary activities is stated after charging/(crediting) :</b>		
Depreciation	1,778,223	2,493,346
Auditors' remuneration - audit services	34,000	53,500
Operating lease charges - plant and machinery	517,173	429,170
Profit on sale of assets	5,710	(23,367)
Increase in provision against amounts due from subsidiary undertakings	7,578	33,206
Increase in provision for diminution in value of investments in subsidiaries	18,026	(229,556)
Release of provision for diminution in value of investments in subsidiaries de-registered	-	(21,568)
	<u>-</u>	<u>(21,568)</u>

Total auditors' remuneration for non audit services was £55,000 (1996 - £121,000).

**CAIRD ENVIRONMENTAL LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1997**  
**(continued)**

**4 EMPLOYMENT COSTS**

The average number of employees (including directors) by activity :

	<u>1997</u>	<u>1996</u>
	Number	Number
Administration and management	29	30
Landfill	36	39
Special waste	90	85
	<u>155</u>	<u>154</u>

**Employee costs :**

	<u>1997</u>	<u>1996</u>
	£	£
Wages and salaries	2,699,489	2,352,804
Social security costs	233,217	246,905
Other pension costs	88,996	71,284
	<u>3,021,702</u>	<u>2,670,993</u>

**5 DIRECTORS' REMUNERATION**

Directors' emoluments in respect of management of the company :

	<u>1997</u>	<u>1996</u>
	£	£
Emoluments including benefits in kind	326,829	311,760
Pension contributions	16,730	15,751
	<u>343,559</u>	<u>327,511</u>

**Highest paid director**

Emoluments including benefits in kind	165,582	158,573
Pension contributions	8,610	8,162
	<u>174,192</u>	<u>166,735</u>

**CAIRD ENVIRONMENTAL LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1997**  
**(continued)**

**6 EXCEPTIONAL ITEMS**

On 26 January 1996 the Company issued proposals for the financial restructuring of the Group including the issue of £5 million 4% Convertible Unsecured Loan Stock, a bank write-off of £7 million, new bank facilities, the conversion of preference shares, a capital reorganisation and a write down in the carrying values of Disposal and Landfill operating assets.

The asset write downs were incorporated in the consolidated accounts at 31 December 1995. The reduction in bank debt has been effected in 1996 and an exceptional credit of £7 million, less reconstruction fees, has been credited to the profit and loss account of the holding company.

Exceptional items have been credited/(charged) to the profit and loss account as detailed below :

	<u>1997</u>	<u>1996</u>
	<u>£'000</u>	<u>£'000</u>
Reconstruction fees	-	(348)
Reorganisation provisions no longer required	<u>607</u>	<u>-</u>
	<u>607</u>	<u>(348)</u>

**CAIRD ENVIRONMENTAL LIMITED**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 1997**

(continued)

**7 INTEREST**

	1997	1996
	£	£
<b>Interest payable :</b>		
on bank loans and overdrafts	150,996	243,986
on other loans	471	20,471
on finance leases	38,425	39,910
	189,892	304,367
<b>Interest receivable</b>	(1,169)	(806)
	<u>188,723</u>	<u>303,561</u>

**8 TAXATION**

	1997	1996
	£	£
The tax charge is made up as follows:		
Based on the profit for the year		
corporation tax at 33%	567,226	265,578
deferred tax	53,489	-
advance corporation tax surrendered by holding company	(360,144)	(160,956)
	<u>260,571</u>	<u>104,622</u>
Tax underprovided in previous years		
deferred tax	-	32,333
	-	32,333
	<u>260,571</u>	<u>136,955</u>

No tax charge is required in relation to the exceptional items (1996 - £nil)

CAIRD ENVIRONMENTAL LIMITED

NOTES TO THE ACCOUNTS

FOR THE YEAR ENDED 31 DECEMBER 1997

(continued)

9 TANGIBLE FIXED ASSETS

	Land and buildings £	Plant and equipment £	Total £
<b>Cost or valuation</b>			
At 1 January 1997	32,584,791	6,757,136	39,341,927
Additions	2,123,824	1,860,309	3,984,133
Disposals	(101,327)	(359,231)	(460,558)
At 31 December 1997	<u>34,607,288</u>	<u>8,258,214</u>	<u>42,865,502</u>
<b>Depreciation</b>			
At 1 January 1997	17,676,179	4,750,064	22,426,243
Charge for the year	1,259,954	518,269	1,778,223
Disposals		(329,229)	(329,229)
At 31 December 1997	<u>18,936,133</u>	<u>4,939,104</u>	<u>23,875,237</u>
<b>Net book value</b>			
At 31 December 1997	<u>15,671,155</u>	<u>3,319,110</u>	<u>18,990,265</u>
At 31 December 1996	<u>14,908,612</u>	<u>2,007,072</u>	<u>16,915,684</u>

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

	£
At 31 December 1997	<u>32,260,492</u>
At 31 December 1996	<u>30,237,995</u>

The cost of land and buildings includes £420,407 (1996 - £1,411,191) which is not depreciated and capitalised interest of £6,000 (1996 - £6,000). 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 1997**

**9 TANGIBLE FIXED ASSETS (continued)**

The net book value of land and buildings comprise :	<b>1997</b>	<b>1996</b>
	<b>£</b>	<b>£</b>
	£,000	£,000
Freehold	14,655	14,775
Short Leasehold	1,016	134
	<u>15,671</u>	<u>14,909</u>

Fixed assets amounting to a net book value of £254,000 (1996 - £332,000) were held under finance leases. The depreciation charge for the year on those assets was £138,000 (1996 - £157,000).

**10 INVESTMENTS**

	Shares in subsidiary undertakings
<b>Cost</b>	<b>£</b>
At 1 January 1997 and 31 December 1997	<u>3,029,151</u>
<b>Less provision</b>	
At 1 January 1997	1,638,166
Movement in year	18,026
At 31 December 1997	<u>1,656,192</u>
<b>Total investment</b>	
At 31 December 1997	<u>1,372,959</u>
At 31 December 1996	<u>1,390,985</u>

The following companies were subsidiaries of Caird Environmental Limited at 31 December 1997. 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 and related industrial services.



**CAIRD ENVIRONMENTAL LIMITED**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 1997**

(continued)

**10 INVESTMENTS (Continued)**

<u>Company</u>	<u>Country of Registration</u>
Atlas Clensol Limited	England
Caird Commercial Vehicles Limited	England
Caird Industrial Services Limited	England
Caird Treatment Centres Limited	England
Hirt Combustion Engineers Limited	England
Norfolk Environmental Developments Limited	England

**11 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 were transferred to the category of Disposal Assets on the balance sheet.

**CAIRD ENVIRONMENTAL LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1997**  
**(continued)**

**12 STOCKS**

	1997	1996
	£	£
Raw materials and consumables	4,205	5,228
Work in progress	414,923	379,116
Finished goods	41,133	45,954
	<u>460,261</u>	<u>430,298</u>

**13 DEBTORS**

	1997	1996
	£	£
Trade debtors	2,875,113	2,823,830
Amounts owed by parent and fellow subsidiary undertakings	852,801	779,135
Amounts owed by subsidiary undertakings	8,906,316	7,368,712
Other debtors	382,211	59,393
Prepayments	402,021	307,605
	<u>13,418,462</u>	<u>11,338,675</u>

**14 CREDITORS : AMOUNTS FALLING DUE WITHIN ONE YEAR**

	1997	1996
	£	£
Trade creditors	1,481,155	1,563,887
Amounts owed to parent and fellow subsidiary undertakings	1,556,511	1,553,606
Amounts owed to subsidiary undertakings	5,397,318	5,305,754
Group relief payable	430,411	432,381
Corporation tax	257,158	90,075
Other taxes and social security costs	473,954	368,550
Finance leases	248,710	256,744
Other creditors	1,735,280	2,085,097
Accruals	1,031,132	563,485
Arising from fundamental reorganisation	683,430	685,206
	<u>13,295,059</u>	<u>12,904,785</u>

**CAIRD ENVIRONMENTAL LIMITED**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 1997**

(continued)

**15 CREDITORS : AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR**

	<u>1997</u>	<u>1996</u>
	£	£
Finance leases	72,752	312,058
Other creditors	-	607,414
	<u>72,752</u>	<u>919,472</u>

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

	<u>1997</u>	<u>1996</u>
	£	£
<b>Due between 1 and 2 years</b>		
Finance leases	72,752	234,958
	<u>72,752</u>	<u>234,958</u>

**Due within 2 to 5 years**

Finance leases	-	77,100
Other creditors	-	607,414
	<u>-</u>	<u>684,514</u>

**16 HOLDING COMPANY LOAN**

The holding company, Caird Group PLC, has confirmed that it will not require repayment of amounts due totalling £60,726,758 (1996 - £ 60,738,494) 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 1997**  
**(continued)**

**17 DEFERRED TAXATION**

	Accelerated capital allowances	Advance corporation tax	Total
At 1 January 1997	82,852	(50,519)	32,333
Charged to profit and loss account in the year	150,742	(97,253)	53,489
At 31 December 1997	<u>233,594</u>	<u>(147,772)</u>	<u>85,822</u>

The full potential liability to deferred tax has been provided as the directors have concluded, on the basis of reasonable assumptions, that it is probable that the liability will crystallise in the foreseeable future.

No provision is made for the liability to corporation tax on capital gains estimated at £80,000 (1996 - £91,000) which would arise if certain land and buildings were to be sold at their revalued amounts due to the availability of capital losses.

**18 DEFERRED INCOME**

	<u>Sale and leaseback</u> £
At 1 January 1997	1,115
Credited to operating profit in the year	(1,115)
At 31 December 1997	<u>-</u>

**19 CALLED UP SHARE CAPITAL**

	1997 £	1996 £
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>

**20 REVALUATION RESERVE**

	1997 £	1996 £
At 1 January	275,714	306,285
Additional depreciation on revalued assets transferred to Profit and Loss Account	(18,414)	(30,571)
At 31 December	<u>257,300</u>	<u>275,714</u>

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

**CAIRD ENVIRONMENTAL LIMITED**

**NOTES TO THE ACCOUNTS**

**FOR THE YEAR ENDED 31 DECEMBER 1997**

(continued)

**21 PROFIT AND LOSS ACCOUNT**

£

At 1 January 1997	(39,621,099)
Profit for the year	2,250,047
Additional depreciation on revalued assets transferred from Revaluation Reserve	18,414
At 31 December 1997	<u>(37,352,638)</u>

**22 PENSION ARRANGEMENTS**

Eligible employees of the company participate in the Caird Group Pension Scheme. The scheme is a defined contribution scheme.

During the year the company made contributions of £88,022 (1996 - £70,309) to the scheme. No contributions were outstanding at 31 December 1996 or 1997.

**23 RECONCILIATION OF MOVEMENTS IN EQUITY SHAREHOLDERS' FUNDS**

	<u>1997</u>	<u>1996</u>
	£	£
Opening shareholders' funds	(39,345,383)	(40,278,775)
Profit for the year	2,250,047	933,392
Closing shareholders' funds	<u>(37,095,336)</u>	<u>(39,345,383)</u>

**24 OPERATING LEASE COMMITMENTS**

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

	<u>1997</u>	<u>1996</u>
	£	£
Amounts payable next year where leases expire :		
Within one year	26,951	40,944
Within two to five years	564,450	396,245
	<u>591,401</u>	<u>437,189</u>

**CAIRD ENVIRONMENTAL LIMITED**  
**NOTES TO THE ACCOUNTS**  
**FOR THE YEAR ENDED 31 DECEMBER 1997**

(continued)

**25 CAPITAL COMMITMENTS**

	<u>1997</u>	<u>1996</u>
	£	£
Contracts placed for expenditure on fixed assets not provided for in the accounts	<u>221,000</u>	<u>1,463,000</u>

**26 CONTINGENT LIABILITIES**

The company also has bonds, indemnities and guarantees outstanding in favour of its bankers of £635,000 (1996 - £ 155,000).

All properties and assets are charged for the Caird Group under cross-guarantees and debentures in favour of the company's bankers.

**27 PARENT COMPANY AND CONTROLLING PARTY**

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

The majority shareholder of Caird Group PLC is Co-operation Retirement Benefit Fund (L) Limited, a company incorporated in Malaysia.

Transactions with other entities within the Caird Group have not been disclosed as the company is a wholly owned subsidiary and is included in the consolidated accounts of Caird Group PLC.

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