

SRCL Limited (03226910)

Report and Financial Statements

31 December 2013

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Directors

J F Clesen (resigned 04/12/14)
B J Fatchett (resigned 13/11/14)
J R Hancock (resigned 31/07/14)
J P Johnston
C A Alutto
F J M Ten Brink (resigned 04/12/14)
D Ginnetti (appointed 04/12/14)

Auditors

Ernst & Young LLP
1 Bridgewater Place
Water Lane
Leeds
LS11 5QR

Registered Office

Indigo House
Sussex Avenue
Leeds LS10 2LF

Strategic report

The directors present their strategic report on the company for the year ended 31 December 2013.

Principal activities and review of the business

The principal activity of the company is the provision of services to the healthcare industry including the treatment and disposal of clinical waste, patient transport, medical courier services and communication solutions.

The financial performance of the business is summarised below:

	2013 £000	2012 £000	Change %
Turnover	114,212	90,664	26.0
Operating Profit	7,627	9,571	(17.7)
Operating Profit %	6.7%	10.5%	(3.8)

In 2013 the business has rapidly grown in size and infrastructure has been put in place to enable future growth in the various service offerings. This has resulted in a short term impact on our operating profits which is mainly driven by our overhead expenses incurred on integration of acquisitions and establishing infrastructure to cope with anticipated future growth as explained in this report.

SRCL has further diversified its services in 2013 through a number of acquisitions made to strengthen the brand of ERS Medical launched in 2012. Acquisitions included Rapid & Secure Ltd, Norvic Ltd assets, Mediforce Ltd and AST Ambulance Service Ltd to further strengthen the presence in the delivery of patient transportation, medical courier, repatriation and emergency services. And also further diversification has taken place into patient communications through acquisitions of TextAnywhere Ltd and 360CRM Ltd.

The acquisitions of IQ Medical has also further expanded services in the training, consultancy and technical support services. This is seen as a growth area where multiple services can be offered to our existing customers as well as newly acquired customers.

In 2013 the acquisition of Eclipse Marketing Ltd has firmly created the base of the Expert Solutions brand in Europe. Expert Solutions offer capability of recall services as well as other ancillary brand protection services and is already well placed in the USA via our parent company Stericycle Inc. With this acquisition in the UK we are now able to offer global clients the capability of more globalised service.

With this diversification SRCL is proving itself a provider of multi-stream healthcare services and will aim to continue to grow these organically and through acquisition including further diversification where opportunities arise.

The core business however still remains the clinical waste services provided to the healthcare market. The health care sector in the UK remains a challenging market as the NHS responds to the economic environment and competition remains challenging. The company therefore continues to focus on class-leading customer service and meeting customer needs with additional service offerings all delivered in an environmentally responsible way creating sustainable solutions.

Internally, the focus on operating efficiency remains firmly on our logistics operations and plant operations. A culture of continuous improvement within the business is focussed on enhancing customer satisfaction and encourages the sharing of best practice and productivity improvement across the business to enable us to provide a competitive and excellent service to our clients. SRCL is committed to working with customers to help improve their environmental performance through effective waste segregation, increased recycling and minimising the waste sent to landfill.

SRCL continues to hold its capabilities in the hazardous waste and environmental services sector through its investment in Avanti whose recycling division provides a range of services that further enhance

Strategic report (continued)

SRCL's sustainable service offerings, whilst giving customers a true single source solution to their waste and recycling requirements.

The future growth areas within the business for the clinical waste services are seen in our newly launched Biosystems offering, which offers clients a sustainable reusable sharps disposal solution as well as continued focus on growing our smaller quantity customer base to divert dependency on large contracts.

The ERS Medical brand will see continued growth organically in 2014 with a number of large contracts being out to market. As a national patient transport and medical courier services company it will now engage in bidding on multi-year contracts with total contract values ranging from £20m to £100m.

SRCL's patient communications services is seen to have great potential as this can be leveraged to further enhance our customer experience by application internally and increase profits by cross selling to our existing customer base.

The directors are confident that by continued expansion of the range of services offered to the NHS and broadening the product range SRCL is set for further growth in the UK.

Principal risks and uncertainties

The company uses financial instruments, other than derivatives, comprising cash and various items such as trade debtors and trade creditors that arise directly from its operations. The main purpose of these financial instruments is to finance the company's operations.

The main risk arising from the company's financial instruments is interest rate risk. The management of this risk is by way of short term borrowing to allow market interest rates.

The company has no interest in the trade of financial instruments, interest rate swaps or forward interest rate agreements.

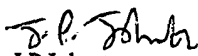
Currency risk

The company only maintains bank balances in Sterling and invoices and receives payment in this currency. The company is therefore not exposed to currency risk.

Liquidity risk

The company seeks to manage liquidity risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

On behalf of the Board


J P Johnston
Director

27 February 2015

Directors' Report

The directors present their report for the year ended 31 December 2013.

Results and dividends

The profit for the year after taxation amounted to £2,247,000 (2012 – profit of £1,731,000). The directors do not recommend a final dividend.

Future Developments

Looking forward the UK business, as a key part of the Stericycle Inc. business group, has the platform needed to drive future growth and explore new opportunities to serve our customer base capability.

Going concern

The nature of the long term relationships with key customers and suppliers gives underlying business stability and supports a positive cash flow from the medical waste business. This allows investment for the future supporting the interests of all stakeholders.

The company through access to the financial resources of its ultimate parent undertaking, Stericycle Inc., has the finance necessary to further develop its business through the foreseeable future and to refinance existing obligations including liabilities as they become due.

After making appropriate enquiries including receiving confirmation of continuing support from Stericycle Inc., the directors have the expectation that the company has adequate resources to continue in operation and to meet its liabilities as and when they fall due. Accordingly, they continue to adopt the going concern basis in the preparation of the financial statements.

Directors

The directors who served the company during the year were as follows:

J F Clesen (resigned 04/12/14)
B J Fatchett (resigned 13/11/14)
J R Hancock (resigned 31/07/14)
J P Johnston
C A Alutto
F J M Ten Brink (resigned 04/12/14)

Employment policy

Employment policies are based on a commitment to equal opportunities from selection and recruitment, through training, development, appraisal and promotion.

The company aims to promote an environment free from discrimination, harassment and victimisation. All decisions relating to employment are objective and based on individual merit. The company looks to use all employees' talents and abilities to the full.

Employee involvement in the company's success and profitability is encouraged through appropriate incentive schemes. Regular meetings and the company's intranet encourages employees to involve themselves in the company's activities and fully informs them on matters which concern them as employees.

It is company policy to give full and fair consideration to suitable applications for employment by disabled persons and so far as particular disabilities permit, give continued employment to an existing employee who becomes disabled.

Directors' report (continued)

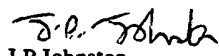
Disclosure of information to the auditors

~~So far as each person who was a director at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the company's auditor, each~~
director has taken all the steps that he is obliged to take as a director in order to make himself aware of any relevant audit information and to establish that the auditor is aware of that information.

Auditors

A resolution to reappoint Ernst & Young LLP as auditors will be put to the members at the Annual General Meeting.

On behalf of the Board


J P Johnston
Director

27 February 2015

Statement of directors' responsibilities

The directors are responsible for preparing the Strategic Report, the Directors' Report and the financial statements in accordance with applicable law and regulations.

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the company and of the profit or loss of the company 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; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. 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.

Independent auditor's report

to the members of SRCL Limited

We have audited the financial statements of SRCL Limited for the year ended 31 December 2013 which comprise the Profit and Loss Account, the Statement of Total Recognised Gains and Losses, the Balance Sheet and the related notes 1 to 27. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of directors and auditor

As explained more fully in the Directors' Responsibilities Statement set out on page 6, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the director; and the overall presentation of the financial statements. In addition we read all the financial and non-financial information in the Report and Financial Statements to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on the financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2013 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Strategic Report and the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

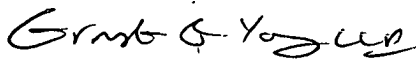
Independent auditor's report

to the members of SRCL Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act.2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.



Eddie Diamond (Senior Statutory Auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
Leeds

27 February 2015

Profit and loss account

for the year ended 31 December 2013

	Notes	2013 £000	2012 £000
Turnover	2	114,212	90,664
Cost of sales		(82,082)	(65,297)
Gross profit		32,130	25,367
Other operating charges	3	(24,503)	(15,796)
Operating profit	4	7,627	9,571
Loss on disposal of fixed asset investments		–	(3,025)
Amounts written off investments	12	(2,669)	(1,901)
Income from shares in group companies		–	189
Interest receivable and similar income	7	7	–
Interest payable and similar charges	8	(683)	(558)
Profit on ordinary activities before taxation		4,282	4,276
Tax on profit on ordinary activities	9	(2,035)	(2,545)
Profit for the financial year	20	2,247	1,731

All amounts relate to continuing activities.

Statement of total recognised gains and losses

for the year ended 31 December 2013

There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £2,247,000 in the year ended 31 December 2013 (2012 – profit of £1,731,000).

Balance sheet

at 31 December 2013

	Notes	2013 £000	2012 £000
Fixed assets			
Intangible assets	10	62,658	30,770
Tangible assets	11	19,476	16,880
Investments	12	28,684	17,773
		<u>110,818</u>	<u>65,423</u>
Current assets			
Stock	13	1,846	1,710
Debtors	14	64,171	39,398
Cash at bank	15	265	–
		<u>66,282</u>	<u>41,108</u>
Creditors: amounts falling due within one year	16	(117,602)	(56,874)
Net current liabilities		<u>(51,320)</u>	<u>(15,766)</u>
Total assets less current liabilities		59,498	49,657
Creditors: amounts falling due after more than one year	17	(22,331)	(14,631)
Net assets		<u>37,167</u>	<u>35,026</u>
Capital and reserves			
Called up share capital	19	6,348	6,348
Other reserve	20	744	850
Profit and loss account	20	30,075	27,828
Shareholders' funds	20	<u>37,167</u>	<u>35,026</u>

These financial statements were approved by the directors and authorised for issue on and are signed on their behalf by:



J P Johnston

Director

27 February 2015

Notes to the financial statements

at 31 December 2013

1. Accounting policies

Basis of preparation

The financial statements are prepared under the historical cost convention and in accordance with applicable accounting standards.

Going concern

The nature of the long term relationships with key customers and suppliers gives underlying business stability and supports a positive cash flow from the medical waste business. This allows investment for the future supporting the interests of all stakeholders.

The company through access to the financial resources of its ultimate parent undertaking, Stericycle Inc., has the finance necessary to further develop its business through the foreseeable future and to refinance existing obligations including liabilities as they become due.

After making appropriate enquiries including receiving confirmation of continuing support from Stericycle Inc., the directors have the expectation that the company has adequate resources to continue in operation and to meet its liabilities as and when they fall due. Accordingly, they continue to adopt the going concern basis in the preparation of the financial statements.

Group financial statements

The financial statements present information about the company as an individual undertaking and not about its group. The company has not prepared group financial statements as it is exempt from the requirement to do so by section 401 of the Companies Act 2006, as it and its subsidiaries are included in the group financial statements of Stericycle Inc., a company incorporated in the United States of America.

Statement of cash flows

The directors have taken advantage of the exemption in FRS.1 (Revised) from including a statement of cash flows in the financial statements on the grounds that the company is wholly owned and its parent publishes group financial statements.

Goodwill

Goodwill is stated at cost less amortisation.

Amortisation is provided at rates calculated to write off the cost or valuation of intangible fixed assets, less their estimated residual value, on a straight line basis over their expected useful lives on the following basis:

Goodwill	–	10 to 20 years
Negative goodwill	–	20 years

Goodwill is reviewed for impairment at the end of the first full financial year following the acquisition and when events or changes in circumstances indicate that the carrying value may not be recoverable.

Goodwill arising from the transfer of businesses after 1 January 2009 onwards is stated at cost. It is not amortised but is subject to annual impairment review.

Notes to the financial statements

at 31 December 2013

1. Accounting policies (continued)

Tangible fixed assets

All fixed assets are stated at cost or valuation, net of depreciation and any provision for impairment.

Depreciation is calculated so as to write off the cost of an asset, less its estimated residual value, over the useful economic life of that asset on a straight line basis as follows:

Freehold property	–	20 years
Long leasehold property	–	over period of lease
Fixed plant	–	5-20 years
Moveable plant	–	3-5 years

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable. The company measures the recoverable amount by reference to the present value of expected future cash flows generated by a particular asset.

Investments

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

The carrying values of investments are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Revenue recognition

Revenue is recognised to the extent that the company obtains the right to consideration in exchange for its performance. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates, VAT and other sales taxes or duty. Where customers are invoiced in advance of services, an element of this income will be deferred at the year end.

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowances for obsolete and slow moving items.

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events have occurred at that date that will result in an obligation to pay more, or right to pay less or to receive more, tax, with the following exception:

- Deferred tax assets are recognised only to the extent that the directors consider that it is more likely than not that there will be suitable taxable profits from which the future reversal of the underlying timing differences can be deducted.

Deferred tax is measured on an undiscounted basis at the tax rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the balance sheet date.

Foreign currencies

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated into sterling at the rate of exchange ruling at the date of the transaction. Exchange differences are taken into account in arriving at the operating profit.

Notes to the financial statements

at 31 December 2013

1. Accounting policies (continued)

Leasing commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible fixed assets. Assets acquired by finance lease are depreciated over the shorter of the lease term and their useful lives. Assets acquired by hire purchase are depreciated over their useful lives. Finance leases are those where substantially all of the benefits and risks of ownership are assumed by the company. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce a constant periodic rate of charge on the net obligation outstanding in each period.

Rentals under operating leases are charged to the profit and loss account on a straight line basis over the lease term.

Benefits received and receivable as an incentive to sign an operating lease are recognised on a straight line basis over the period until the date the rent is expected to be adjusted to the prevailing market rate.

Pensions

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company. The annual contributions payable are charged to the profit and loss account.

Financial instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of the entity after deducting all of its financial liabilities.

Where the contractual obligations of financial instruments (including share capital) are equivalent to a similar debt instrument, those financial instruments are classed as financial liabilities. Financial liabilities are presented as such in the balance sheet. Finance costs and gains or losses relating to financial liabilities are included in the profit and loss account. Finance costs are calculated so as to produce a constant rate of return on the outstanding liability.

Where the contractual terms of share capital do not have any terms meeting the definition of a financial liability then this is classed as an equity instrument. Dividends and distributions relating to equity instruments are debited direct to equity.

Share-based payments

Equity settled transactions

The cost of equity-settled transactions with employees is measured by reference to the fair value at the date at which they are granted and is recognised as an expense over the vesting period, which ends on the date which the relevant employees become fully entitled to the award. Fair value is determined using an appropriate pricing model. In valuing equity-settled transactions, no account is taken of any vesting conditions, other than conditions linked to the price of the shares of the ultimate parent undertaking (market conditions).

No expense is recognised for awards that do not ultimately vest, except for awards where vesting is conditional upon a market condition, which are treated as vesting irrespective of whether or not the market condition is satisfied, provided that all other performance conditions are satisfied.

At each balance sheet date before vesting, the cumulative expense is calculated, representing the extent to which the vesting period has expired and management's best estimate of the achievement or otherwise of non-market conditions, number of equity instruments that will ultimately vest or in the case of an instrument subject to a market condition, be treated as vesting as described above. The movement in cumulative expense since the previous balance sheet date is recognised in the profit and loss account, with a corresponding entry in equity.

Notes to the financial statements

at 31 December 2013

2. Turnover

The turnover and pre-tax result are attributable to the one principal continuing activity of the company. The turnover and results of the businesses that were hived up during the year (see note 12) have not been separately disclosed. This is because it is impracticable to do so since these businesses have been integrated with the company's existing business. Turnover is stated net of value added tax.

An analysis of turnover by geographical market is given below:

	2013 £000	2012 £000
United Kingdom	114,212	90,664

3. Other operating charges

	2013 £000	2012 £000
Administrative expenses	24,503	15,796

4. Operating profit

This is stated after charging:

	2013 £000	2012 £000
Auditors' remuneration	89	85
Depreciation of owned fixed assets	4,929	4,287
Depreciation of assets held under finance leases and hire purchase contracts	332	40
Profit on disposal of fixed assets	(44)	(5)
Operating lease rentals – plant and machinery	5,959	4,932
– land and buildings	1,981	1,543

5. Directors' remuneration

	2013 £000	2012 £000
Compensation for loss of office	-	136
Remuneration	312	269
Company contributions paid to defined contribution pension schemes	21	19
	333	424

The number of directors who accrued benefits under company pension schemes was as follows:

	No.	No.
Money purchase schemes	2	3

Notes to the financial statements

at 31 December 2013

5. Directors' remuneration (continued)

In respect of the highest paid director:

	2013 £000	2012 £000
Remuneration	135	115
Company contributions paid to defined contribution pension schemes	11	7
	<u>146</u>	<u>122</u>

6. Staff costs

	2013 £000	2012 £000
Wages and salaries	35,027	27,173
Social security costs	3,232	2,400
Other pension costs	307	281
	<u>38,566</u>	<u>29,854</u>

Included in wages and salaries is an expense of share-based payments of £145,000 (2012 – £101,000) arising from transactions accounted for as equity settled share-based payment transactions.

The average monthly number of employees during the year was made up as follows:

	No.	No.
Plant operators	315	266
Drivers	874	621
Administrative	430	256
	<u>1,619</u>	<u>1,143</u>

7. Interest receivable and similar income

	2013 £000	2012 £000
Bank interest receivable	<u>7</u>	<u>–</u>

8. Interest payable and similar charges

	2013 £000	2012 £000
Interest payable on bank borrowings	663	238
Interest payable to group undertakings	–	272
Other interest payable	20	48
	<u>683</u>	<u>558</u>

Notes to the financial statements

at 31 December 2013

9. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2013 £000	2012 £000
Current tax:		
UK corporation tax on the profit for the year	2,975	3,109
Adjustment in respect of prior years	(386)	109
Total current tax (note 9(b))	<u>2,589</u>	<u>3,218</u>
Deferred tax:		
Origination and reversal of timing differences (note 18)	(554)	(673)
Tax on profit on ordinary activities	<u>2,035</u>	<u>2,545</u>

(b) Factors affecting the current tax charge for the year

The tax assessed for the year differs from the standard rate of corporation tax in the UK of 23.25% (2012 – 24.5%). The differences are explained below:

	2013 £000	2012 £000
Profit on ordinary activities before tax	<u>4,282</u>	<u>4,276</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 23.25% (2012 – 24.5%)	996	1,048
Effects of:		
Expenses not deductible for tax purposes	944	1,399
Depreciation in advance of capital allowances	1,150	877
Movement in short term timing differences	(115)	(169)
Non taxable dividend	–	(46)
Adjustment in respect of prior years	(386)	109
Current tax for the year (note 9(a))	<u>2,589</u>	<u>3,218</u>

(c) Factors that may affect future tax charges

The UK government has announced that the main UK corporation tax rate will be reduced from the current rate of 21% which became applicable from 1 April 2014 to 20% from 1 April 2015. The reduction in the corporation tax rate to 20% was included within the Finance Act that was enacted on 17 July 2013.

Notes to the financial statements

at 31 December 2013

10. Intangible fixed assets

	<i>Negative goodwill £000</i>	<i>Goodwill £000</i>	<i>Total £000</i>
Cost:			
At 1 January 2013	(5,785)	36,363	30,578
Transferred from investments	–	32,318	32,318
Adjustment due to reduction in contingent consideration	–	(1,870)	(1,870)
Acquired during the year	–	1,878	1,878
At 31 December 2013	(5,785)	68,689	62,904
Amortisation:			
At 1 January 2013	4,238	(4,046)	192
Provided during the year	193	(631)	(438)
At 31 December 2013	4,431	(4,677)	(246)
Net book value:			
At 31 December 2013	(1,354)	64,012	62,658
At 1 January 2013	(1,547)	32,317	30,770

Amortisation of intangible assets is provided on a straight line basis over their expected useful lives:-

Goodwill	10-20 years
Negative goodwill	20 years

True and fair override in respect of investments in subsidiary undertakings

Following the acquisition of certain subsidiary undertakings the trade and net assets of those subsidiary undertakings have been transferred to the company at their book value. The cost of the company's investment in those subsidiary undertakings reflected the underlying fair value of their net assets and goodwill at the time of acquisition. As a result of such trade and asset transfers, the value of the company's investment in each of those subsidiary undertakings fell below the amount at which it was stated in the company's accounting records. The Companies Act 2006 requires that these investments be written down accordingly and that the amounts be charged as losses in the company's profit and loss account. However the directors consider that, as the businesses continued to trade profitably and there has been no overall loss, it would fail to give a true and fair view to charge any diminution to the company's profit and loss account.

The directors believe that it is more appropriate instead for it to be re-allocated to goodwill. The cumulative amount of such goodwill arising on the transfer of investment values when the related business was integrated within that of SRCL Limited is £57,079,000 (2012 – £24,761,000). This is not amortised but is subject to annual impairment review.

The directors have reassessed their estimate of the contingent consideration payable in respect of prior acquisitions, giving rise to the above reduction of £1,870,000.

Notes to the financial statements

at 31 December 2013

10. Intangible fixed assets (continued)

On 15 January 2013 the company acquired the trade and assets of Medevent Limited for a total consideration of £125,000. The purchase has been included in the company's balance sheet at fair value at the date of acquisition.

Analysis of the acquisition of the trade and assets of Medevent Limited:

Net assets at date of acquisition:

	<i>Book value</i>	<i>Revaluations</i>	<i>Fair value</i>
	<i>£000</i>	<i>adjustments</i>	<i>£000</i>
		<i>£000</i>	
Tangible fixed assets	34	–	34
Net assets	34	–	34
Goodwill arising on acquisition			91
			125
Discharged by:			
Cash consideration			125
Loan notes payable			–
			125

On 1 May 2013 the company acquired the trade and assets of Norvic Ambulance Services Limited for a total consideration of £1,893,000 of which £1,093,000 is payable in loan notes subject to performance against EBITDA. The purchase has been included in the company's balance sheet at fair value at the date of acquisition.

Analysis of the acquisition of the trade and assets of Norvic Ambulance Services Limited:

Net assets at date of acquisition:

	<i>Book value</i>	<i>Revaluations</i>	<i>Fair value</i>
	<i>£000</i>	<i>adjustments</i>	<i>£000</i>
		<i>£000</i>	
Tangible fixed assets	202	–	202
Creditors due within one year	(60)	–	(60)
Creditors due in more than one year	(36)	–	(36)
Net assets	106	–	106
Goodwill arising on acquisition			1,787
			1,893
Discharged by:			
Cash consideration			800
Loan notes payable			1,093
			1,893

The total purchased goodwill in 2013 is £1,878,000 (2012 – £5,236,000).

Notes to the financial statements

at 31 December 2013

11. Tangible fixed assets

	<i>Freehold property £000</i>	<i>Long leasehold property £000</i>	<i>Plant and machinery £000</i>	<i>Total £000</i>
Cost:				
At 1 January 2013	791	7,342	50,898	59,031
Additions	–	800	7,206	8,006
Disposals	–	(150)	(2,372)	(2,522)
At 31 December 2013	791	7,992	55,732	64,515
Depreciation:				
At 1 January 2013	26	2,534	39,591	42,151
Charge for the year	2	394	4,865	5,261
Disposals	–	(132)	(2,241)	(2,373)
At 31 December 2013	28	2,796	42,215	45,039
Net book value:				
At 31 December 2013	763	5,196	13,517	19,476
At 1 January 2013	765	4,808	11,307	16,880

The net book value of assets held under finance leases and hire purchase contracts, included above, are as follows:

	<i>2013 £000</i>	<i>2012 £000</i>
Plant and machinery	3,158	35

12. Investments

	<i>Subsidiary undertakings £000</i>
Cost:	
At 1 January 2013	20,884
Acquired during the year	45,898
Reclassified to goodwill	(32,318)
At 31 December 2013	34,464
Write down provisions:	
At 1 January 2013	3,111
Amounts written down during the year	2,669
At 31 December 2013	5,780
Net book value:	
At 1 January 2013	17,773
At 31 December 2013	28,684

Notes to the financial statements

at 31 December 2013

12. Investments (continued)

Details of the investments in which the company holds 20% or more of the nominal value of any class of issued share capital are as follows:

<i>Name of Company</i>	<i>Country of Registration</i>	<i>Nature of Business</i>
AST Ambulance Service Limited	England and Wales	Non Emergency Patient Transport
Avanti AWS Limited	England and Wales	Hazardous waste and recycling services
Avanti Environmental Holdings Limited	England and Wales	Parent undertaking for group engaged in treatment of hazardous waste
Central Safety Services Limited	England and Wales	Non trading company
Cliniserve Holdings Limited	England and Wales	Non trading parent undertaking
Debonair Nursing Services Ltd	England and Wales	Nursing Services
Eclipse Marketing Limited	England and Wales	Automotive Recall
Ecology Scotland Limited	Scotland	Non trading company
EMAC Delta Limited	Scotland	Non trading company
ERS International Group Limited	England and Wales	Non trading company
First Practice Management Limited	England and Wales	Non trading company
G I Waste Solutions Limited	Scotland	Recycling services
Highland Waste Services Limited	Scotland	Hazardous waste services
Intercare Distribution Services Limited	England and Wales	Non trading company
IQ Med Holdings Limited	England and Wales	Healthcare IT
John Rome Limited	Scotland	Non trading company
Medical Courier Services Limited	England and Wales	Non trading company
Mediforce Limited	England and Wales	Non Emergency Patient Transport
My Surgery Website Limited	England and Wales	Non trading company
Norton Waste Services Limited	England and Wales	Non trading company
Rapid & Secure Limited	England and Wales	Non Emergency Patient Transport
Rock Highland Limited	Scotland	Hazardous waste and recycling services
Spirechem North West Limited	England and Wales	Non trading company
TextAnywhere Limited	England and Wales	Telecommunications
360CRM Limited	Scotland	Telecommunications

The company holds 100% of the issued share capital of the above companies.

Notes to the financial statements

at 31 December 2013

12. Investments (continued)

Rapid & Secure Limited, Debonair Nursing Services Limited, Mediforce Limited, Eclipse Marketing Limited, 360CRM Limited, TextAnywhere Limited, EMAC Delta Limited, IQ Med Holdings Limited and AST Ambulance Services Limited were acquired during the year ended 31 December 2013.

The trade and assets of Rapid & Secure Limited, Debonair Nursing Services Limited, Mediforce Limited, Eclipse Marketing Limited, 360CRM Limited, TextAnywhere Limited and IQ Med Holdings Limited were transferred to SRCL on 16 January 2013, 16 January 2013, 27 June 2013, 27 June 2013, 31 July 2013, 31 July 2013 and 29 November 2013 respectively with the related investment value of £32,318,000 being reclassified as goodwill.

Rock Highland Limited became dormant during the year with their trade and assets transferred to Avanti AWS Limited.

EMAC Delta Limited became dormant during the year with their trade and assets transferred to Avanti Environmental Group Limited.

The company also took a provision against the investment of Eclipse Marketing Limited of £2,669,000 in the year.

13. Stocks

	2013 £000	2012 £000
Plant spares	1,846	1,710

14. Debtors

	2013 £000	2012 £000
Trade debtors	24,282	16,788
Amounts owed by group undertakings	34,142	19,291
Other debtors	807	260
Prepayments and accrued income	3,264	1,983
Deferred tax (note 18)	1,676	1,076
	64,171	39,398

15. Cash at bank

	2013 £000	2012 £000
Bank	265	—

Notes to the financial statements

at 31 December 2013

16. Creditors: amounts falling due within one year

	2013 £000	2012 £000
Bank overdraft	–	2,069
Trade creditors	4,793	3,814
Amounts owed to group undertakings	93,166	32,492
Corporation tax	37	32
Other taxation and social security costs	3,256	3,021
Shares classed as financial liabilities (note 19)	2,359	2,359
Other creditors	3,270	5,058
Net obligations under finance leases and hire purchase contracts	567	362
Accruals and deferred income	10,154	7,667
	<u>117,602</u>	<u>56,874</u>

17. Creditors: amounts falling due after more than one year

	2013 £000	2012 £000
Amounts owed to group undertakings	9,500	9,500
Loans	7,700	4,950
Other creditors	3,434	35
Net obligations under finance leases and hire purchase contracts	1,697	146
	<u>22,331</u>	<u>14,631</u>

The company has utilised a revolving loan facility in the year with no finite repayment date. The facility accrues interest at a rate of 1.5% and is secured against a guarantee provided by Stericycle Inc.

Net obligations under finance leases and hire purchase contracts are secured on the assets concerned.

Obligations under leases and hire purchase contracts

	2013 £000	2012 £000
Amounts payable		
Within one year	665	381
Within two to five years	1,855	154
Less finance charges allocated to future periods	(256)	(27)
	<u>2,264</u>	<u>508</u>

Notes to the financial statements

at 31 December 2013

18. Deferred tax

The movement in the deferred tax (asset)/provision during the year was:

	2013 £000	2012 £000
(Asset)/provision at 1 January	(1,076)	(429)
Transfer of (asset)/liability from group undertaking	(46)	26
Profit and loss account movement arising during the year (note 9(a))	(554)	(673)
(Asset)/provision at 31 December	<u>(1,676)</u>	<u>(1,076)</u>

The deferred tax asset consists of the tax effect of timing differences in respect of:

	2013 £000	2012 £000
Capital allowances in advance of depreciation	(1,419)	(821)
Other timing differences	<u>(257)</u>	<u>(255)</u>
	<u>(1,676)</u>	<u>(1,076)</u>

19. Issued share capital

<i>Allotted, called up and fully paid</i>	<i>No.</i>	2013 £000	<i>No.</i>	2012 £000
'A' ordinary shares of £1 each	5,671,888	5,671	5,671,888	5,671
'B' ordinary shares of £1 each	676,000	676	676,000	676
'C' ordinary shares of £1 each	500	1	500	1
Preference shares of £1 each	250,000	250	250,000	250
0.01% cumulative 'A' preference shares of £1 each	1,869,000	1,869	1,869,000	1,869
0.02% cumulative 'B' preference shares of £1 each	240,000	<u>240</u>	240,000	<u>240</u>
			2013 £000	2012 £000

Amounts presented in equity:

'A' ordinary shares of £1 each	5,671	5,671
'B' ordinary shares of £1 each	676	676
'C' ordinary shares of £1 each	<u>1</u>	<u>1</u>
	<u>6,348</u>	<u>6,348</u>

Amounts presented in liabilities:

Preference shares of £1 each	250	250
0.01% cumulative 'A' preference shares of £1 each	1,869	1,869
0.02% cumulative 'B' preference shares of £1 each	<u>240</u>	<u>240</u>
	<u>2,359</u>	<u>2,359</u>

Notes to the financial statements

at 31 December 2013

19. Issued share capital (continued)

The rights of the classes of shares are as follows:

Preference and A preference shares

A dividend and return on capital of 0.01% of the issue price. No voting rights.

B preference shares

A dividend and return on capital of 0.02% of the issue price. No voting rights.

A ordinary, B ordinary and C ordinary shares

The shares rank pari passu in all respects. Dividends can be paid once all preference share dividends have been paid. All shares have voting rights.

All classes of share capital are wholly owned by the immediate parent undertaking.

20. Reconciliation of shareholders' funds and movements on reserves

	<i>Share capital</i>	<i>Other reserve</i>	<i>Profit and loss account</i>	<i>Total share-holders' funds</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
At 1 January 2012	6,348	749	26,097	33,194
Profit for the year	–	–	1,731	1,731
Reserve for share-based payment	–	101	–	101
At 1 January 2013	6,348	850	27,828	35,026
Profit for the year	–	–	2,247	2,247
Reserve for share-based payment	–	(106)	–	(106)
At 31 December 2013	6,348	744	30,075	37,167

Other reserve

The other reserve is used to record the value of equity-settled share based payments provided to employees, including key management personnel, as part of their remuneration. Details of share based payments are set out in note 22.

The movement in reserves represents the cost of equity settled transactions net of any cash contribution made by the company to its ultimate parent in respect of the options.

21. Pensions

The company operates defined contribution pension schemes for the benefit of all the employees. The assets of the schemes are administered by trustees in funds independent from those of the company. Contributions in the year were £307,000 (2012 – £281,000). Contributions totalling £40,173 (2012 – £37,367) were payable at the year end and are included in creditors.

Notes to the financial statements

at 31 December 2013

22. Share-based payments

Employee share option plan

Options granted in the ultimate parent company, Stericycle Inc., to employees generally vest over five years. The following table illustrates the numbers and weighted average exercise price (WAEP) of, and movements in, share options during the year

	No.	2013 WAEP £	No.	2012 WAEP £
At 1 January	78,768	36.45	97,185	32.96
Exercised during the year	(14,243)	33.55	(26,313)	27.37
Forfeited during the year	(11,285)	40.83	(7,304)	34.77
Granted during the year	26,821	60.88	13,200	53.39
Transferred	—	—	—	—
Outstanding at 31 December	80,061	44.53	76,768	36.79
Exercisable at 31 December	32,844	29.53	32,698	27.41

For the above options outstanding at 31 December 2013, the weighted average remaining contractual life is 6.75 years. (2012 – 6.47 years).

The fair value of share options was estimated on the date of grant using the Black-Scholes option pricing model. The following weighted average assumptions were used:

	2013	2012
Dividend yield (%)	—	—
Expected volatility (%)	27.03	27.87
Risk free interest rate (%)	1.00	1.05
Expected life of options (years)	5.81	6.00

The expected life of the options is based on an annual review of Stericycle Inc.'s options and how long they are typically held before exercise.

Expected volatility is a measure of historical volatility and implied volatility based on a quarterly review.

The risk free interest rate is the risk free ratio of return on the date of grant.

Dividend rate is used to discount the options as option holders do not receive dividends.

Notes to the financial statements

at 31 December 2013

23. Other financial commitments

At 31 December 2013 the company had annual commitments under non-cancellable operating leases as set out below:

	2013		2012	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Operating leases which expire:				
Within one year	393	816	218	381
In two to five years	1,007	3,509	241	3,101
Over five years	851	995	790	32
	<u>2,251</u>	<u>5,320</u>	<u>1,249</u>	<u>3,514</u>

24. Contingent liabilities

At the balance sheet date a cross guarantee exists between certain subsidiary companies of Stericycle Inc., SRCL Limited's ultimate parent undertaking. At the year end this was £76,029,000 (2012 – £58,462,000)

25. Related party transactions

The company has taken advantage of the exemption under FRS 8 from disclosing transactions with other wholly owned entities, which are part of the group of which Stericycle Inc., is the parent undertaking.

There are no other related party transactions requiring disclosure under FRS 8.

26. Ultimate parent undertaking and controlling party

The company's immediate parent undertaking is Stericycle International Limited.

Stericycle Inc., a US incorporated company, is the ultimate parent undertaking and controlling party.

The largest and smallest group for which group financial statements have been drawn up is that headed by Stericycle Inc. Copies of these financial statements may be obtained from 28161 North Keith Drive, Lake Forest, IL 60045, USA.

27. Events since the balance sheet date

On 1 April 2014 the company hived up the trade and assets of AST Ambulance Ltd for the total consideration of £1.

On 30 June 2014 the company acquired the trade and assets of Internet GP partnership for the total consideration of £150,000.

On 1 September 2014 the company acquired the share capital of MSNE Ltd for the total consideration of £3,525,000.

On 30 September 2014 the company acquired the share capital of Mediaburst Ltd for the total consideration of £7,566,000.

All acquisitions were funded through our local borrowing facility with Lloyds Banking Group or through our global facility with Bank of America.