

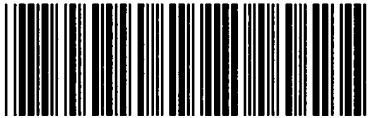
SRCL Limited

Report and Financial Statements

31 December 2014

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Directors

J P Johnston

C A Alutto

D Ginnetti

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 2014.

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:

	2014 £000	2013 £000	Change %
Turnover	140,208	114,212	22.8
Operating Profit before waiver of intercompany loan	5,784	7,627	24.2
Operating Profit %	4.1%	6.7%	(40.6)

In 2014 the business has continued strong organic revenue growth particularly in the patient transportation and medical courier services under the ERS Medical brand name. The business has solidified its position in the marketplace of patient transportation and courier services through winning strategic long-term customer contracts on the back of the infrastructure it has developed now.

Further strategic acquisitions have been made through Medical Services (North East) Limited (patient transportation services), Mediaburst Limited (patient communication services) and IQ Medical (healthcare compliance services) in the year.

The diversification of services ensures SRCL continues to aim to be a strategic partner in the healthcare industry by fulfilling customer needs whether it being medical waste compliance, patient transportation services, medical courier services, patient communication services and digital healthcare solutions.

Due to winning some very large contracts in the patient transportation business SRCL has seen some pressure on operating profits in order to settle in a robust operational service ensuring patient experience is maintained at the highest level. Also further acquisitions and the acquisitions completed in 2013 result in higher expenses on integration of services with trade and assets hived up from AST Ambulance Service Limited and Medical Services (North East) Limited. Once new contracts have settled in and activities are firmly integrated we will see operating profit percentages rise in line with our long range plan.

The core business of clinical waste compliance services remain the largest proportion of the SRCL business. Although the health care sector in the UK remains a challenging market as the NHS responds to the economic environment and competition remains challenging we are successfully introducing new innovative services such as our biosystems service and digital healthcare solutions. The company continues to focus on class-leading customer service and meeting customer needs in a challenging environment and by focussing on innovative niche services such as communications, training and compliance products aims to expand operating margins with its large customer base.

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 eliminating 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 environmental division provides a range of services that further enhance SRCL's sustainable service offerings, whilst giving customers a true single source solution to their waste and recycling requirements.

Strategic report (continued)

The Expert Solutions brand in Europe offers 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. We are able to offer global clients the capability of more globalised service and end to end recall solutions in Europe and Asia via our UK offices.

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

As discussed in the Strategic Report, principal risks include competition for new business and the integration of new activities.

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.

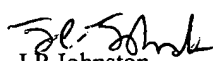
Currency risk

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

30 September 2015

Directors' Report

The directors present their report for the year ended 31 December 2014.

Results and dividends

The profit for the year after taxation amounted to £3,638,000 (2013 – £2,247,000). 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 4 December 2014)

B J Fatchett (resigned 13 November 2014)

J R Hancock (resigned 31 July 2014)

J P Johnston

C A Alutto

F J M Ten Brink (resigned 4 December 2014)

D Ginnetti (appointed 17 December 2014)

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

30 September 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 2014 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 2014 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.

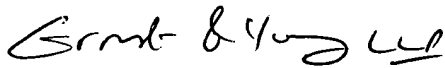
Independent auditor's report

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

30 September 2015

Profit and loss account

for the year ended 31 December 2014

	Notes	2014 £000	2013 £000
Turnover	2	140,208	114,212
Cost of sales		(103,529)	(82,082)
Gross profit		36,679	32,130
Other operating charges	3	(30,895)	(24,503)
Waiver of intercompany loan		(2,097)	-
Operating profit	4	3,687	7,627
Amounts written off investments	13	2,100	(2,669)
Interest receivable and similar income	8	-	7
Interest payable and similar charges	9	(1,485)	(683)
Profit on ordinary activities before taxation		4,302	4,282
Tax on profit on ordinary activities	10	(664)	(2,035)
Profit for the financial year	20	3,638	2,247

All amounts relate to continuing activities.

Statement of total recognised gains and losses

for the year ended 31 December 2014


There are no recognised gains or losses other than the profit attributable to the shareholders of the company of £3,638,000 in the year ended 31 December 2014 (2013 – profit of £2,247,000).

Balance sheet

at 31 December 2014

	Notes	2014 £000	2013 £000
Fixed assets			
Intangible assets	11	69,908	62,658
Tangible assets	12	19,935	19,476
Investments	13	29,560	28,684
		<u>119,403</u>	<u>110,818</u>
Current assets			
Stock	14	1,945	1,846
Debtors	15	84,165	64,171
Cash at bank		-	265
		<u>86,110</u>	<u>66,282</u>
Creditors: amounts falling due within one year	16	<u>(152,274)</u>	<u>(117,602)</u>
Net current liabilities		<u>(69,295)</u>	<u>(51,320)</u>
Total assets less current liabilities		53,239	59,498
Creditors: amounts falling due after more than one year	17	<u>(12,434)</u>	<u>(22,331)</u>
Net assets		<u>40,805</u>	<u>37,167</u>
Capital and reserves			
Called up share capital	19	6,348	6,348
Other reserve	20	744	744
Profit and loss account	20	33,713	30,075
Shareholders' funds	20	<u>40,805</u>	<u>37,167</u>

These financial statements (company registration number 03226910) were approved by the directors and authorised for issue on 30 September 2015 and are signed on their behalf by:


J P Johnston
Director

30 September 2015

Notes to the financial statements

at 31 December 2014

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.

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.

Notes to the financial statements

at 31 December 2014

1. Accounting policies (continued)

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

Revenues are recognised by reference to the stage of completion of the transaction at the balance sheet date. Revenue is also derived from the release of deferred income from the previous year. 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.

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.

Notes to the financial statements

at 31 December 2014

1. Accounting policies (continued)

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.

Pre-Contract Costs

Directly attributable costs on new contracts are recognised as an asset following UITF 34 when it is virtually certain that a contract will be obtained and the contract is expected to result in future net cash inflows. In the case of costs capitalised on contract tenders, future benefit it expected to be generated from these contracts, as the contracts are typically for a long term period, are expected to generate profits and there are no indications that any current contracts are expected to end early. Amortisation is provided straight line over the entire life of the contract.

Notes to the financial statements

at 31 December 2014

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 13) 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:

	2014 £000	2013 £000
United Kingdom	140,208	114,212

3. Other operating charges

	2014 £000	2013 £000
Administrative expenses	30,895	24,503

4. Operating profit

This is stated after charging:

	2014 £000	2013 £000
Auditors' remuneration	102	89
Depreciation of owned fixed assets	4,633	4,929
Depreciation of assets held under finance leases and hire purchase contracts	1,422	332
Amortisation of intangibles	482	(58)
Profit on disposal of fixed assets	156	(44)
Operating lease rentals – plant and machinery	6,999	5,959
– land and buildings	3,090	1,981

5. Directors' remuneration

	2014 £000	2013 £000
Remuneration	184	312
Company contributions paid to defined contribution pension schemes	18	21
	202	333

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

	No.	No.
Money purchase schemes	2	2

Notes to the financial statements

at 31 December 2014

6. Directors' remuneration (continued)

In respect of the highest paid director:

	2014 £000	2013 £000
Remuneration	116	135
Company contributions paid to defined contribution pension schemes	12	11
	<u>128</u>	<u>146</u>

7. Staff costs

	2014 £000	2013 £000
Wages and salaries	47,575	35,027
Social security costs	4,638	3,232
Other pension costs	764	307
	<u>52,976</u>	<u>38,566</u>

Included in wages and salaries is an expense of share-based payments of £160,000 (2013 – £145,000) 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	481	315
Drivers	542	874
Administrative	1,421	430
	<u>2,444</u>	<u>1,619</u>

8. Interest receivable and similar income

	2014 £000	2013 £000
Bank interest receivable	-	7

9. Interest payable and similar charges

	2014 £000	2013 £000
Interest payable on bank borrowings	980	663
Interest payable to group undertakings	-	-
Other interest payable	505	20
	<u>1,485</u>	<u>683</u>

Notes to the financial statements

at 31 December 2014

10. Tax

(a) Tax on profit on ordinary activities

The tax charge is made up as follows:

	2014 £000	2013 £000
Current tax:		
UK corporation tax on the profit for the year	2,150	2,975
Adjustment in respect of prior years	(37)	(386)
Total current tax (note 9(b))	<u>2,113</u>	<u>2,589</u>
Deferred tax:		
Origination and reversal of timing differences (note 18)	(1,449)	(554)
Tax on profit on ordinary activities	<u>664</u>	<u>2,035</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 21.49% (2013 – 23.25%). The differences are explained below:

	2014 £000	2013 £000
Profit on ordinary activities before tax	<u>4,302</u>	<u>4,282</u>
Profit on ordinary activities multiplied by standard rate of corporation tax in the UK of 21.49% (2013 – 23.25%)	925	996
Effects of:		
Expenses not deductible for tax purposes	70	944
Income not taxable for tax purposes	(52)	-
Depreciation in advance of capital allowances	1,317	1,150
Movement in short term timing differences	(110)	(115)
Adjustment in respect of prior years	(37)	(386)
Current tax for the year (note 9(a))	<u>2,113</u>	<u>2,589</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 2014

11. Intangible fixed assets

	<i>Negative goodwill</i> £000	<i>Goodwill</i> £000	<i>Total</i> £000
Cost:			
At 1 January 2014	(5,785)	68,689	62,904
Transferred from investments	-	7,568	7,568
Adjustment due to reduction in contingent consideration	-	14	14
Acquired during the year	-	150	150
At 31 December 2014	(5,785)	76,421	70,636
Amortisation:			
At 1 January 2014	4,431	(4,677)	(246)
Provided during the year	193	(675)	(482)
At 31 December 2014	4,624	(5,352)	(7281)
Net book value:			
At 31 December 2014	(1,161)	71,069	69,908
At 31 December 2013	(1,354)	64,012	62,658

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

Goodwill	10-20 years
Negative goodwill	20 years
Other intangibles	5-10 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 £64,647,000 (2013 – £57,079,000). This is not amortised but is subject to annual impairment review.

Notes to the financial statements

at 31 December 2014

11. Intangible fixed assets (continued)

On 1 June 2014 the company acquired the trade and assets of Internet GP for a total consideration of £150,000. 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 Internet GP:

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>
Net assets	-	-	-
Goodwill arising on acquisition			150
			150
Discharged by:			
Cash consideration			150
			150

12. Tangible fixed assets

	<i>Freehold</i>	<i>Long</i>	<i>Plant and</i>	
	<i>property</i>	<i>leasehold</i>	<i>machinery</i>	<i>Total</i>
	<i>£000</i>	<i>property</i>	<i>£000</i>	<i>£000</i>
Cost:				
At 1 January 2014	791	7,992	55,732	64,515
Additions	-	851	13,278	14,129
Disposals	-	-	(8,924)	(8,924)
At 31 December 2014	791	8,843	60,086	69,720
Depreciation:				
At 1 January 2014	28	2,796	42,215	45,039
Charge for the year	2	314	5,739	6,055
Impairment charge	-	-	67	67
Disposals	-	-	(1,376)	(1,376)
At 31 December 2014	30	3,110	46,645	49,785
Net book value:				
At 31 December 2014	761	5,733	13,441	19,935
At 31 December 2013	763	5,196	13,517	19,476

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

	<i>2014</i>	<i>2013</i>
	<i>£000</i>	<i>£000</i>
Plant and machinery	2,544	3,158

Notes to the financial statements

at 31 December 2014

13. Investments

	<i>Subsidiary undertakings £000</i>
Cost:	
At 1 January 2014	34,464
Acquired during the year	8,444
Reduction in consideration paid	(2,100)
Reclassified to goodwill	(7,568)
At 31 December 2014	<u>33,240</u>
Amounts provided:	
At 1 January 2014	5,780
Amounts written (back)/down during the year	(2,100)
At 31 December 2014	<u>3,680</u>
Net book value:	
At 1 January 2014	<u>28,684</u>
At 31 December 2014	<u><u>29,560</u></u>

13. 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
Internet GP	England and Wales	Non trading company
Medical Services (North-East) Limited	England and Wales	Non Emergency Patient Transport
Mediaburst Limited	England and Wales	Telecommunications
SCL Consultants Limited	England and Wales	Non trading company

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

Internet GP, Medical Services (North-East) Limited and Mediaburst Limited were acquired during the year ended 31 December 2014.

The trade and assets of AST Ambulance Services Limited and Medical Services (North-East) Limited were transferred to SRCL on 1 April 2014 and 1 October 2014 respectively, with the related investment value of £7,568,000 being reclassified as goodwill.

14. Stocks

	2014	2013
	£000	£000
Plant spares	1,945	1,846

15. Debtors

	2014	2013
	£000	£000
Trade debtors	28,635	24,282
Amounts owed by group undertakings	41,325	34,142
Other debtors	5,987	807
Prepayments and accrued income	5,116	3,264
Deferred tax (note 18)	3,102	1,676
	84,165	64,171

Within other debtors we included an asset of £3,131,000 (2013 - £nil) related to pre contract costs which are amortised over the life of the contract and therefore represent a long-term debtor balance.

16. Creditors: amounts falling due within one year

	2014	2013
	£000	£000
Bank overdraft	1,867	–
Trade creditors	3,226	4,793
Amounts owed to group undertakings	121,295	93,166
Corporation tax	351	37
Other taxation and social security costs	4,496	3,256
Shares classed as financial liabilities (note 19)	2,359	2,359
Other creditors	4,782	3,270
Net obligations under finance leases and hire purchase contracts	657	567
Accruals and deferred income	13,241	10,154
	152,274	117,602

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

	2014	2013
	£000	£000
Amounts owed to group undertakings	9,500	9,500
Loans	-	7,700
Other creditors	1,320	3,434
Net obligations under finance leases and hire purchase contracts	1,614	1,697
	<u>12,434</u>	<u>22,331</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

	2014	2013
	£000	£000
Amounts payable		
Within one year	713	665
Within two to five years	1,820	1,855
Less finance charges allocated to future periods	(262)	(256)
	<u>2,271</u>	<u>2,264</u>

18. Deferred tax

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

	2014	2013
	£000	£000
Asset at 1 January	(1,676)	(1,076)
Transfer of (asset)/liability from group undertaking	23	(46)
Profit and loss account movement arising during the year (note 10(a))	(1,449)	(554)
Asset at 31 December	<u>(3,102)</u>	<u>(1,676)</u>

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

	2014	2013
	£000	£000
Capital allowances in advance of depreciation	(2,855)	(1,419)
Other timing differences	(247)	(257)
	<u>(3,102)</u>	<u>(1,676)</u>

19. Issued share capital

<i>Allotted, called up and fully paid</i>	<i>No.</i>	<i>2014</i>		<i>2013</i>	
		<i>£000</i>	<i>No.</i>	<i>£000</i>	<i>No.</i>
'A' ordinary shares of £1 each	5,671,888	5,671	5,671,888	5,671	5,671,888
'B' ordinary shares of £1 each	676,000	676	676,000	676	676,000
'C' ordinary shares of £1 each	500	1	500	1	500
Preference shares of £1 each	250,000	250	250,000	250	250,000
0.01% cumulative 'A' preference shares of £1 each	1,869,000	1,869	1,869,000	1,869	1,869,000
0.02% cumulative 'B' preference shares of £1 each	240,000	240	240,000	240	240,000
			<i>2014</i>	<i>2013</i>	
			<i>£000</i>	<i>£000</i>	
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			1	1	
			6,348	6,348	
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			240	240	
			2,359	2,359	

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 2013	6,348	850	27,828	35,026
Profit for the year	-	-	2,247	2,247
Reserve for share-based payment	-	(106)	-	(106)
At 1 January 2014	6,348	744	30,075	37,167
Profit for the year	-	-	3,638	3,638
Reserve for share-based payment	-	-	-	-
At 31 December 2014	6,348	744	33,713	40,805

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 £764,000 (2013 – £307,000). Contributions totalling £146,065 (2013 – £40,173) were payable at the year end and are included in creditors.

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

	<i>No.</i>	<i>2014 WAEP £</i>	<i>No.</i>	<i>2013 WAEP £</i>
At 1 January	80,061	44.53	78,768	36.45
Exercised during the year	(16,601)	39.34	(14,243)	33.55
Forfeited during the year	(11,052)	69.03	(11,285)	40.83
Expired during the year	(500)	71.02	-	-
Granted during the year	20,145	74.34	26,821	60.88
Outstanding at 31 December	72,053	52.85	80,061	44.53
Exercisable at 31 December	27,520	34.15	32,844	29.53

For the above options outstanding at 31 December 2014, the weighted average remaining contractual life is 6.04 years. (2013 – 6.75 years).

Notes to the financial statements

at 31 December 2014

22. Share-based payments (continued)

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:

	2014	2013
Dividend yield (%)	-	-
Expected volatility (%)	17.23	27.03
Risk free interest rate (%)	1.53	1.00
Expected life of options (years)	4.76	5.81

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.

23. Other financial commitments

At 31 December 2014 the company had annual commitments under non-cancellable operating leases as set out below:

	2014		2013	
	<i>Land and buildings</i>	<i>Other</i>	<i>Land and buildings</i>	<i>Other</i>
	£000	£000	£000	£000
Operating leases which expire:				
Within one year	56	419	393	816
In two to five years	1,227	4,366	1,007	3,509
Over five years	1,659	1,449	851	995
	<u>2,942</u>	<u>6,234</u>	<u>2,251</u>	<u>5,320</u>

As at 31 December 2014 the company had capital commitments amounting to £380,508 (2013: £nil) in relation to plant & machinery and leasehold improvement assets.

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 £93,013,140 (2013 – £76,029,776).

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.

Notes to the financial statements

at 31 December 2014

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 July 2015 the company hived up the trade and assets of Mediaburst Ltd for the total consideration of £5,763,598.