

POLKACREST LIMITED

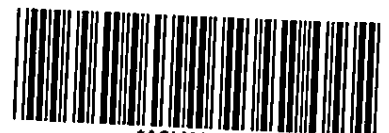
Company Number 03882534

FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2007

PKF (UK) LLP

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POLKACREST LIMITED

COMPANY INFORMATION

Directors	Brian Haley Matthew McGeehan Nigel Middleton David Sargent Ian Sexton
Secretary	Matthew McGeehan
Company Number	03882534
Registered Office	EcoPark Advent Way Edmonton London N18 3AG
Auditors	PKF (UK) LLP Farringdon Place 20 Farringdon Road London EC1M 3AP

POLKACREST LIMITED

CONTENTS

	<u>Page</u>
DIRECTORS' REPORT	1
STATEMENT OF DIRECTORS' RESPONSIBILITIES	3
INDEPENDENT AUDITORS' REPORT	4
CONSOLIDATED PROFIT AND LOSS ACCOUNT	6
CONSOLIDATED BALANCE SHEET	7
COMPANY BALANCE SHEET	8
NOTES TO THE FINANCIAL STATEMENTS	9

POLKACREST LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2007

The directors submit their report and the financial statements for the year ended 31 December 2007

RESULTS AND DIVIDENDS

The Profit for the year before taxation and amortisation of goodwill was £276,954

The taxation charge for the year of £791,341 was relatively high mainly as a result of the surrender of £624,166 of tax losses in the form of group relief for which no payment was made to the Company's holding company LondonWaste Limited. Goodwill amortisation of £652,774 reflects the acquisition of subsidiaries during the year. The resultant loss for the year after taxation and amortisation of goodwill, amounted to £1,167,161 (2006 loss £202,124)

REVIEW OF THE BUSINESS

Polkacrest Limited is a wholly owned subsidiary of LondonWaste Limited. The main activity of the company and its subsidiaries is the collection and disposal of healthcare waste.

On 16 February 2007, Polkacrest Limited acquired three healthcare waste disposal companies: Attero Services Limited based in Wrexham, North West Energy Limited based in Salford and Medical Energy (Worcestershire) Ltd based in Redditch.

Northwest Energy Limited subsequently changed its name to Polkacrest North West Limited. Medical Energy (Worcestershire) Limited subsequently changed its name to Polkacrest Midlands Limited. Attero Services subsequently changed its name to Polkacrest Wales Limited.

On 29 March 2007 Polkacrest Limited purchased some alternative technology plant and equipment from the administrators of General Waste Reduction Limited, MWMS Services (Kemble) Limited and MWMS Scotland Limited which had gone into administration. Polkacrest did not purchase any of the companies in administration. The administrators also transferred to Polkacrest the lease for premises at Kemble and this gave Polkacrest the opportunity to maintain an operating presence in the South-West.

Prior to 2007 Polkacrest had been facing increasing costs for disposing of waste at third-party disposal facilities. The acquisitions made during the year gave the company additional in-house capacity and reduced our exposure to the cost of third party disposal.

Financial Key Performance Indicators

Turnover for the year was £19,280,090 and profit before tax and amortisation of goodwill was £276,954 which represented a return on turnover of 1.4%.

Other Key Performance Indicators

The acquisitions made during the year allowed the Company to double its share of the healthcare waste market from 11% to 22%.

Risks

The Company has a limited exposure to conditions in the external market for waste disposal at 3rd party facilities. Polkacrest has had significant success in 2007 in terms of market share growth. The company will continue to look at opportunities for additional waste treatment plant facilities whether through acquisition or capital investment, to address its exposure to 3rd party disposal reliability.

POLKACREST LIMITED
DIRECTORS' REPORT
YEAR ENDED 31 DECEMBER 2007

DIRECTORS

The directors who served during the year were

Brian Haley
Matthew McGeehan
Nigel Middleton
David Sargent
Ian Sexton

FINANCIAL INSTRUMENTS

The company's policy is to finance working capital through retained earnings and through borrowings at prevailing market interest rates

During the year the parent company, LondonWaste Limited drew down £13,500,000 from its existing Revolving Credit Facility, which it passed on to Polkacrest Limited in the form of an inter-company loan to finance the acquisitions in the year. Amounts due to the parent company are not due for repayment within less than one year.

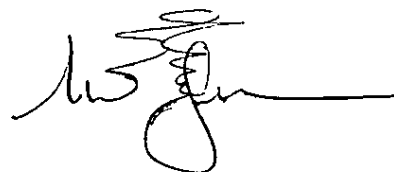
The company does not actively use any other financial instruments as part of its financial risk management. It is exposed to the usual credit risk and cash flow risk associated with selling on credit and manages this through credit control procedures.

PROVISION OF INFORMATION TO AUDITORS

So far as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware, and
- they have taken all the steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

BY ORDER OF THE BOARD



M McGEEHAN
Secretary

POLKACREST LIMITED

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing the annual 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). The financial statements are required to give a true and fair view of the state of affairs of the company and the group and of the profit or loss of the group for that period. In preparing these financial statements the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgments and estimates that are reasonable and prudent,
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and the group and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF POLKACREST LIMITED

We have audited the group and parent company financial statements ('the financial statements') of Polkacrest Limited for the year ended 31 December 2007 which comprise the consolidated profit and loss account, the consolidated and company balance sheets and the related notes. The financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 auditors

The directors' responsibilities for preparing the annual report and the financial statements in accordance with applicable law and United Kingdom accounting standards ('United Kingdom Generally Accepted Accounting Practice') are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and have been properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the directors' report is consistent with the financial statements.

In addition we report to you if, in our opinion, the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if the information specified by law regarding directors' remuneration and other transactions is not disclosed.

We read the directors' report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the group's and company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
POLKACREST LIMITED**

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the group's and the parent company's affairs as at 31 December 2007 and of the group's loss for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the directors' report is consistent with the financial statements

PKF (UK) LLP

PKF (UK) LLP
Registered Auditors
London, UK

27 June 2008

POLKACREST LIMITED
CONSOLIDATED PROFIT AND LOSS ACCOUNT
YEAR ENDED 31 DECEMBER 2007

	Notes	Before amortisation of goodwill 2007 £	Amortisation charge 2007 £	Total 2007 £	Total 2006 £
TURNOVER	2				
Continuing operations		9,709,930	-	9,709,930	11,268,714
Acquisitions (as a component of continuing operations)		8,363,456	-	8,363,456	-
		<u>18,073,386</u>	<u>-</u>	<u>18,073,386</u>	<u>11,268,714</u>
Cost of sales	3	(15,288,199)	-	(15,288,199)	(10,318,376)
		<u>2,785,187</u>	<u>-</u>	<u>2,785,187</u>	<u>950,338</u>
GROSS PROFIT					
Administrative expenses	3	(1,884,044)	(652,774)	(2,536,818)	(1,150,443)
		<u>OPERATING PROFIT /(LOSS)</u>	<u>4</u>		
Continuing operations		(1,249,515)	(179,137)	(1,428,652)	(200,105)
Acquisitions (as a component of continuing operations)		2,150,658	(473,637)	1,677,021	-
		<u>901,143</u>	<u>(652,774)</u>	<u>248,369</u>	<u>(200,105)</u>
Interest receivable	8	30,064	-	30,064	7,950
Interest payable	9	(654,253)	-	(654,253)	(6,354)
		<u>PROFIT/(LOSS) ON ORDINARY ACTIVITIES BEFORE TAXATION</u>	<u>(652,774)</u>	<u>(375,820)</u>	<u>(198,509)</u>
TAXATION	10	(791,341)	-	(791,341)	(3,615)
		<u>LOSS FOR THE FINANCIAL YEAR</u>	<u>(652,774)</u>	<u>(1,167,161)</u>	<u>(202,124)</u>

All amounts relate to continuing operations

There were no recognised gains or losses for the year other than those included in the profit and loss account

POLKACREST LIMITED
CONSOLIDATED BALANCE SHEET
31 DECEMBER 2007

	<u>Notes</u>	£	<u>2007</u>	£	£	<u>2006</u>	£
FIXED ASSETS							
Intangible	11		12,192,567			2,511,408	
Tangible	12		5,739,346			888,180	
			<u>17,931,913</u>			<u>3,399,588</u>	
CURRENT ASSETS							
Stocks	15	343,183			725,109		
Debtors	16	5,775,603			2,698,235		
Cash at bank and in hand		977,737			659		
			<u>7,096,523</u>		<u>3,424,003</u>		
CREDITORS: amounts falling due within one year	17		<u>(5,137,273)</u>		<u>(2,341,282)</u>		
NET CURRENT ASSETS				1,959,250			1,082,721
TOTAL ASSETS LESS CURRENT LIABILITIES				<u>19,891,163</u>			<u>4,482,309</u>
CREDITORS: amounts falling due after more than one year	18		<u>(16,282,506)</u>				<u>(89,812)</u>
PROVISIONS FOR LIABILITIES AND CHARGES	20		<u>(388,780)</u>				<u>(5,459)</u>
NET ASSETS				<u>3,219,877</u>			<u>4,387,038</u>
CAPITAL AND RESERVES							
Called up share capital	21		4,083,000			4,083,000	
Profit and loss account	22		(863,123)			304,038	
SHAREHOLDERS' FUNDS	23		<u>3,219,877</u>			<u>4,387,038</u>	

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20th June 2008



D SARGENT
Director

POLKACREST LIMITED
COMPANY BALANCE SHEET
31 DECEMBER 2007

	<u>Notes</u>	£	<u>2007</u>	£	£	<u>2006</u>	£
FIXED ASSETS							
Intangible	11		2,332,271			2,511,408	
Tangible	12		1,927,922			888,180	
Investments	13		13,892,724			68,212	
			<u>18,152,917</u>			<u>3,467,800</u>	
CURRENT ASSETS							
Stocks	15		122,016		725,109		
Debtors	16		3,799,122		2,698,235		
Cash at bank and in hand			380		659		
			<u>3,921,518</u>		<u>3,424,003</u>		
CREDITORS: amounts falling due within one year	17		<u>(3,510,927)</u>		<u>(2,409,494)</u>		
NET CURRENT ASSETS				410,591			1,014,509
TOTAL ASSETS LESS CURRENT LIABILITIES				<u>18,563,508</u>			<u>4,482,309</u>
CREDITORS: amounts falling due after more than one year	18		(16,187,486)			(89,812)	
PROVISIONS FOR LIABILITIES AND CHARGES	20		(26,429)			(5,459)	
NET ASSETS				<u>2,349,593</u>			<u>4,387,038</u>
CAPITAL AND RESERVES							
Called up share capital	21		4,083,000			4,083,000	
Profit and loss account	22		(1,733,407)			304,038	
SHAREHOLDERS' FUNDS				<u>2,349,593</u>			<u>4,387,038</u>

The financial statements were approved and authorised for issue by the board and were signed on its behalf on 20th June 2008



D SARGENT
Director

POLKACREST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007

1 ACCOUNTING POLICIES

(a) Basis of preparation of financial statements

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

(b) Basis of consolidation

The group financial statements consolidate the financial statements of Polkacrest Limited and all its subsidiaries made up to 31 December 2007 using the acquisition method. The results of acquired businesses are consolidated from the date on which effective control passed to the group.

No profit and loss account is presented for Polkacrest Limited in accordance with the exemption provided by Section 230 of the Companies Act 1985. The company's loss after tax for the financial period amounted to £2,037,445 (2006 £202,124).

The company is a wholly owned subsidiary of LondonWaste Limited (a company incorporated in England & Wales) and is included in the consolidated financial statements of that company whose financial statements are publicly available. Consequently, the company has taken advantage of the exemptions from preparing a cash flow statement under the terms of FRS1 (revised 1996).

(c) Turnover

Turnover comprises the invoiced sales, relating to services provided in the year, less allowances, trade discounts and value added tax.

(d) Goodwill

Goodwill represents the excess of the consideration paid over the fair value of net assets acquired, and is consolidated and amortised over its estimated useful life of up to a maximum of 20 years.

(e) Tangible fixed assets

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Buildings	5% on cost
Commercial vehicles	14% on cost (new)
	25% on cost (second hand)
Plant and machinery	6.7-25% on cost
Motor vehicles	10-25% on cost
Office equipment	12.5-33% on cost
Leasehold improvements	over the life of the lease
Capital work in progress	not depreciated until brought into use

Freehold land is not depreciated.

(f) Impairment

The group evaluates its fixed assets for financial impairment where events or circumstances indicate that the carrying value of such assets may not be fully recoverable. When such evaluations indicate that the carrying value of an asset exceeds its recoverable value an impairment is recorded.

POLKACREST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007

1 ACCOUNTING POLICIES (continued)

(g) Finance leases and hire purchase

Assets acquired under finance leases or hire purchase are treated as tangible fixed assets and depreciation is provided accordingly. The present value of future rentals is shown as a liability and the interest element of rental obligations is charged to the profit and loss account over the period of the lease in proportion to the capital balance outstanding.

(h) Operating leases

Operating lease rentals are charged in the profit and loss account on a straight line basis over the lease term.

(i) Investments

Investments are held at cost less provisions for impairment.

(j) Stocks and work in progress

Due to the semi-consumable nature of plastic wheelie bins, the costs thereof are written off in the profit and loss account over four years in equal instalments. All other stock is valued at the lower of cost and net realisable value.

(k) Deferred taxation

As required by FRS 19 "Deferred Tax", full provision is made for deferred tax assets and liabilities arising from all timing differences between the recognition of gains and losses in the financial statements and recognition in the tax computation, except for those timing differences in respect of which the standard specifies that deferred tax should not be recognised.

A net deferred tax asset is recognised only if it can be regarded as 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 assets and liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

Deferred tax assets and liabilities are not discounted.

(l) Pensions

The company operates a defined contribution pension scheme and the pension charge in the profit and loss account represents the amounts payable by the company to the fund in respect of the year.

2 TURNOVER

Turnover, all of which was derived from the group's principal activity, arose within the United Kingdom.

POLKACREST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007

3 ANALYSIS OF COST OF SALES AND ADMINISTRATIVE EXPENSES

	Continuing operations (excluding acquisitions)	Acquisitions (as a component of continuing operations)	Total
Year ended 31 December 2007			
Cost of sales	11,470,557	5,024,346	16,494,903
Administrative expenses	1,383,589	1,153,229	2,536,818
Year ended 31 December 2006			
Cost of sales	10,318,376	-	10,318,376
Administrative expenses	1,150,443	-	1,150,443

4 OPERATING PROFIT/(LOSS)

The operating profit/(loss) is stated after charging

	<u>2007</u> £	<u>2006</u> £
Amortisation of intangible assets	652,774	188,347
Depreciation of tangible fixed assets		
- owned by the company	794,366	233,396
- held under finance lease or hire purchase contracts	65,918	46,320
Operating lease rentals		
- plant and machinery	408,330	412,702
- land and buildings	309,937	151,957
Hire of plant and machinery	94,779	18,743
	<u> </u>	<u> </u>

5 AUDITORS' REMUNERATION

	<u>2007</u> £	<u>2006</u> £
Fees payable to the company's auditor for the audit of the company's annual accounts	15,750	13,500
Fees payable to the company's auditor and its associates in respect of		
- the auditing of accounts of associates of the company pursuant to legislation	30,000	-
	<u> </u>	<u> </u>

POLKACREST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007

6 DIRECTORS' EMOLUMENTS AND BENEFITS

	<u>2007</u> £	<u>2006</u> £
Directors' emoluments	83,064	79,664
Contributions to defined contribution pension schemes	4,423	4,284
	<u>87,487</u>	<u>83,948</u>

One director (2006 1) was a member of the company pension scheme

7 STAFF COSTS

Staff costs, including directors' emoluments, were as follows

Group	<u>2007</u> £	<u>2006</u> £
Wages and salaries	3,867,960	2,182,690
Social security costs	392,234	230,705
Other pension costs	79,968	51,843
	<u>4,340,162</u>	<u>2,465,238</u>

The average monthly number of persons employed by the group during the year was 177 (2006 84)

Company	<u>2007</u> £	<u>2006</u> £
Wages and salaries	2,397,111	2,182,690
Social security costs	249,714	230,705
Other pension costs	56,086	51,843
	<u>2,702,911</u>	<u>2,465,238</u>

The average monthly number of persons employed by the company during the year was 108 (2006 84)

POLKACREST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007

8 INTEREST RECEIVABLE

	<u>2007</u> £	<u>2006</u> £
Other interest receivable	30,064	7,950
	<u>30,064</u>	<u>7,950</u>

9 INTEREST PAYABLE

	<u>2007</u> £	<u>2006</u> £
Finance charges under finance lease and hire purchase contracts	10,259	6,354
Interest payable to group entities	643,994	-
	<u>654,253</u>	<u>6,354</u>

10 TAXATION

(a) The charge for the year comprises:

	<u>2007</u> £	<u>2006</u> £
Current tax		
Corporation tax at 30% (2006 30%)	740,475	-
Adjustments in respect of prior periods	6,618	(234)
Total current tax	<u>747,093</u>	<u>(234)</u>
Deferred tax		
Changes in deferred tax balances arising from		
Origination or reversal of timing differences	67,217	3,849
Reduction in rate	(22,969)	-
Tax charge on profit on ordinary activities	<u>791,341</u>	<u>3,615</u>

POLKACREST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007

10 TAXATION (continued)

(b) Factors affecting the tax charge for the year

The tax assessed for the year differs from that expected by multiplying loss on ordinary activities by the standard rate of corporation tax in the UK of 30%. The differences are explained below

	<u>2007</u> £	<u>2006</u> £
Loss on ordinary activities before tax	(375,820)	(198,509)
Loss on ordinary activities multiplied by the standard rate of corporation tax of 30% (2006 30%)	(112,746)	(59,553)
Effects of		
Expenses not deductible for tax purposes	18,697	567
Goodwill amortisation disallowable for tax purposes	146,054	56,504
Depreciation in excess of capital allowances	64,304	(2,661)
Adjustment to tax charge in respect of previous periods	6,618	(234)
Group relief	624,166	5,143
Total current tax	<u>747,093</u>	<u>(234)</u>

Losses have been surrendered to the holding company without payment

(c) Factors that may affect future tax charges

The future tax charge will continue to be affected by the disallowable nature of goodwill amortisation for tax purposes

11 INTANGIBLE FIXED ASSETS

Group	<u>Goodwill</u> £
Cost	
At 1 January 2007	3,783,264
Additions (note 14)	10,333,933
	<u>14,117,197</u>
31 December 2007	
Amortisation	
At 1 January 2007	1,271,856
Charge for the year	652,774
	<u>1,924,630</u>
31 December 2007	
Net book amount	
At 31 December 2007	<u>12,192,567</u>
At 31 December 2006	<u>2,511,408</u>

POLKACREST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007

11 INTANGIBLE FIXED ASSETS (continued)

Company

	<u>Goodwill</u> £
Cost	
At 1 January 2007 and 31 December 2007	3,783,264
Amortisation	
At 1 January 2007	1,271,856
Charge for the year	179,137
31 December 2007	1,450,993
Net book amount	
At 31 December 2007	2,332,271
At 31 December 2006	2,511,408

12 TANGIBLE FIXED ASSETS

(a) Group

	<u>Freehold land & buildings</u> £	<u>Motor vehicles</u> £	<u>Plant and machinery</u> £	<u>Office equipment</u> £	<u>Work in progress</u> £	<u>Leasehold property & improvements</u> £	<u>Total</u> £
Cost							
As at 1 January 2007	-	630,992	1,248,545	148,657	290,765	10,401	2,329,360
Acquisitions	800,000	-	2,963,938	-	-	-	3,763,938
Transfer from stock	-	-	529,374	-	-	-	529,374
Additions	-	94,069	722,032	192,336	420,999	-	1,429,436
Disposals	-	-	(115,447)	-	-	-	(115,447)
As at 31 December 2007	800,000	725,061	5,348,442	340,993	711,764	10,401	7,936,661
Depreciation							
As at 1 January 2007	-	442,452	893,407	104,578	-	743	1,441,180
Charge for year	9,167	82,704	730,876	36,794	-	743	860,284
Disposals	-	-	(104,149)	-	-	-	(104,149)
As at 31 December 2007	9,167	525,156	1,520,134	141,372	-	1,486	2,197,315
Net book amount							
As at 31 December 2007	790,833	199,905	3,828,308	199,621	711,764	8,915	5,739,346
As at 31 December 2006	-	188,540	355,138	44,079	290,765	9,658	888,180

The net book amounts of fixed assets above include £349,244 (2006 £108,720) in respect of assets held under finance leases or hire purchase contracts

Freehold land and buildings include land not depreciated at a gross book value of £650,000

POLKACREST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007

12 TANGIBLE FIXED ASSETS (continued)

(b) Company

	<u>Motor vehicles</u> £	<u>Plant and machinery</u> £	<u>Office equipment</u> £	<u>Work in progress</u> £	<u>Leasehold property & improvements</u> £	<u>Total</u> £
Cost						
As at 1 January 2007	630,992	1,248,545	148,657	290,765	10,401	2,329,360
Transfer from stock	-	529,374	-	-	-	529,374
Additions	94,069	92,473	192,336	420,999	-	799,877
	<u>725,061</u>	<u>1,870,392</u>	<u>340,993</u>	<u>711,764</u>	<u>10,401</u>	<u>3,658,611</u>
Depreciation						
As at 1 January 2007	442,452	893,407	104,578	-	743	1,441,180
Charge for year	82,704	169,268	36,794	-	743	289,509
	<u>525,156</u>	<u>1,062,675</u>	<u>141,372</u>	<u>-</u>	<u>1,486</u>	<u>1,730,689</u>
Net book amount						
As at 31 December 2007	<u>199,905</u>	<u>807,717</u>	<u>199,621</u>	<u>711,764</u>	<u>8,915</u>	<u>1,927,922</u>
As at 31 December 2006	<u>188,540</u>	<u>355,138</u>	<u>44,079</u>	<u>290,765</u>	<u>9,658</u>	<u>888,180</u>

The net book amounts of fixed assets above include £202,578 (2006 £108,720) in respect of assets held under finance leases or hire purchase contracts

13 FIXED ASSET INVESTMENTS

Company

	<u>Total</u> £
Cost	
At 1 January 2007	68,212
Additions (see note 14)	13,824,512
31 December 2007	<u>13,892,724</u>

The company had the following wholly owned subsidiary undertakings at 31 December 2007, all of which operate in the United Kingdom and are incorporated in England and Wales, all of which have been dealt with under the acquisition method of accounting

Company	Activity
Polkacrest Northwest Limited	Provision of clinical waste collection and disposal services
Polkacrest Midlands Limited	Provision of clinical waste collection and disposal services
Polkacrest Wales Limited	Provision of clinical waste collection and disposal services
Advanced Waste Technology Limited	Dormant
Stonepark Limited	Dormant

POLKACREST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007

14 ACQUISITIONS

On 16 February 2007 the company acquired the entire share capital of Polkacrest Wales Limited (formerly Attero Services Limited), Polkacrest Midlands Limited (formerly Medical Energy (Worcestershire) Limited) and Polkacrest North West Limited (formerly North West Energy Limited)

The following table sets out the book values of each class of asset and liabilities of the acquired entity before the acquisition and before any fair value adjustments, fair value adjustments and the fair values at the date of acquisition

	Polkacrest Midlands Limited			Polkacrest Northwest Limited			Polkacrest Wales Limited		
	Book value at acquisition	Fair value adjustments	Fair value to group	Book value at acquisition	Fair value adjustments	Fair value to group	Book value at acquisition	Fair value adjustments	Fair value to group
Tangible Fixed Assets	1,587,117	(664,983)	922,134	714,782	141,522	856,304	1,672,020	313,480	1,985,500
Stock	48,918		48,918	82,156		82,156	56,484		56,484
Debtors	406,775		406,775	295,787		295,787	709,698		709,698
Creditors	(509,291)		(509,291)	(593,865)		(593,865)	(430,948)		(430,948)
Deferred Tax	(271,919)		(271,919)	(67,154)		(67,154)	-		-
Net assets	1,261,600	(664,983)	596,617	431,706	141,522	573,228	2,007,254	313,480	2,320,734

	Book value at acquisition	Total Fair value adjustments	Fair value to group
Tangible Fixed Assets	3,973,919	(209,981)	3,763,938
Stock	187,558	-	187,558
Debtors	1,412,260	-	1,412,260
Creditors	(1,534,104)	-	(1,534,104)
Deferred Tax	(339,073)	-	(339,073)
Net assets	3,700,560	(209,981)	3,490,579

Fair value adjustments

These comprise adjustments to bring the book value of tangible fixed assets to fair value at date of acquisition, as per external valuation placed on them

Total fair value to group of companies acquired **3,490,579**

Consideration satisfied by

Cash **13,500,000**

Capitalised acquisition costs **324,512**

Total consideration **13,824,512**

Goodwill arising **10,333,933**

POLKACREST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007

14 ACQUISITIONS (continued)

The result after tax for the period from 1 January 07 to the acquisition date of 16 February 2007 was £585,434 loss for Polkacrest Midlands Limited (full year 2006 profit £385,490), £187,014 loss for Polkacrest North West Limited (full year 2006 profit £87,594) and £98,462 profit for Polkacrest Wales Limited (full year 2006 profit £1,107,443)

The subsidiary undertakings acquired during the year contributed £2,272,000 to the group's net operating cashflows, paid £633,000 in respect of taxation and utilised £678,000 for capital expenditure

15 STOCKS

	<u>Group</u>		<u>Company</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	£	£	£	£
Plastic wheelie bins	-	663,408	-	663,408
Consumables	343,183	61,701	122,016	61,701
	<u>343,183</u>	<u>725,109</u>	<u>122,016</u>	<u>725,109</u>

Plastic wheelie bins have been transferred to tangible fixed assets at 31 December 2007

16 DEBTORS

	<u>Group</u>		<u>Company</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	£	£	£	£
Due within one year				
Trade debtors	3,738,948	2,241,966	2,135,607	2,241,966
Amounts due from group undertakings	1,836,091	194,479	1,524,196	194,479
Other debtors	33,473	9,825	-	9,825
Prepayments and accrued income	167,091	251,965	139,319	251,965
	<u>5,775,603</u>	<u>2,698,235</u>	<u>3,799,122</u>	<u>2,698,235</u>

17 CREDITORS

	<u>Group</u>		<u>Company</u>	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
	£	£	£	£
Amounts falling due within one year:				
Bank overdraft	2,074,563	1,262,438	2,074,563	1,262,438
Trade creditors	1,101,634	531,415	522,909	531,415
Amounts owed to group undertakings	165,477	-	194,591	80,114
Amounts owed to related undertakings	56,636	94,161	56,636	82,259
Corporation tax	457,428	-	6,618	-
Other tax and social security	351,782	179,291	153,995	179,291
Net obligations under finance lease and hire purchase contracts (note 19)	96,308	58,548	64,127	58,548
Accruals and deferred income	815,366	215,099	423,949	215,099
Other creditors	18,079	330	13,539	330
	<u>5,137,273</u>	<u>2,341,282</u>	<u>3,510,927</u>	<u>2,409,494</u>

POLKACREST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007

18 CREDITORS	<u>2007</u>	<u>Group</u>	<u>2006</u>	<u>2007</u>	<u>Company</u>	<u>2006</u>
	£		£	£		£
Amounts falling due after more than one year:						
Amounts owed to group undertakings	16,077,000	-	16,077,000	-		
Net obligations under finance lease and hire purchase contracts (note 19)	205,506	89,812	110,486	89,812		
	<u>16,282,506</u>	<u>89,812</u>	<u>16,187,486</u>	<u>89,812</u>		

19 FINANCE LEASES

Net obligations under finance lease and hire purchase agreements fall due as follows

	<u>2007</u>	<u>2006</u>
	£	£
Within one year (note 17)	96,308	58,548
Between one and five years (note 18)	205,506	89,812
	<u>301,814</u>	<u>148,360</u>

Finance lease and hire purchase creditors are secured on the assets concerned

20 PROVISIONS FOR LIABILITIES AND CHARGES

(a) Group	<u>Deferred taxation</u>
	£
At 1 January 2007	5,459
Acquired on purchase of subsidiaries	339,073
Charged to profit and loss	44,248
At 31 December 2007	<u><u>388,780</u></u>

Deferred tax is analysed as follows

	<u>2007</u>	<u>2006</u>
	£	£
Accelerated capital allowances	387,430	6,509
Short term timing differences	1,350	(1,050)
	<u>388,780</u>	<u>5,459</u>

POLKACREST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007

(b) Company

	<u>Deferred taxation</u> £
At 1 January 2007	5,459
Charged to profit and loss	20,970
At 31 December 2007	<u><u>26,429</u></u>

Deferred tax is analysed as follows

	<u>2007</u> £	<u>2006</u> £
Accelerated capital allowances	25,079	6,509
Short term timing differences	1,350	(1,050)
	<u><u>26,429</u></u>	<u><u>5,459</u></u>

21 SHARE CAPITAL

	<u>Authorised</u> £	<u>Allotted, called up and fully paid</u> No	£
At 1 January 2007 and 31 December 2007			
Ordinary shares of £1 each	4,083,000	4,083,000	4,083,000
	<u><u>4,083,000</u></u>	<u><u>4,083,000</u></u>	<u><u>4,083,000</u></u>

22 RESERVES

(a) Group

	£
Profit and loss account	
At 1 January 2007	304,038
Loss for the year	(1,167,161)
At 31 December 2007	<u><u>(863,123)</u></u>

(b) Company

	£
Profit and loss account	
At 1 January 2007	304,038
Loss for the year	(2,037,445)
At 31 December 2007	<u><u>(1,733,407)</u></u>

23 SHAREHOLDERS' FUNDS

	<u>£</u> <u>2007</u>	<u>£</u> <u>2006</u>
(a) Group		
Shareholders' funds at 1 January 2007	4,387,038	4,589,162
Loss for the year	(1,167,161)	(202,124)
Shareholders' funds at 31 December 2007	<u><u>3,219,877</u></u>	<u><u>4,387,038</u></u>

POLKACREST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007

	£ <u>2007</u>	£ <u>2006</u>
(b) Company		
Shareholders' funds at 1 January 2007	4,387,038	4,589,162
Loss for the year	(2,037,445)	(202,124)
Shareholders' funds at 31 December 2007	<u>2,349,593</u>	<u>4,387,038</u>

24 OPERATING LEASES

At 31 December 2007 there are annual commitments under operating leases as follows

(a) Group

	<u>Land and buildings</u>		<u>Other</u>
	<u>2007</u> £	<u>2006</u> £	<u>2007</u> £
Expiry date:			
Within one year	-	-	81,697
Between one and five years	25,144	25,144	238,190
Beyond five years	213,781	118,000	-

(b) Company

	<u>Land and buildings</u>		<u>Other</u>
	<u>2007</u> £	<u>2006</u> £	<u>2007</u> £
Expiry date:			
Within one year	-	-	12,173
Between one and five years	25,144	25,144	238,190
Beyond five years	125,234	118,000	-

25 CONTROLLING AND RELATED PARTIES

The company is controlled by LondonWaste Limited. The parent undertaking of the largest and smallest group for which consolidated accounts are prepared is LondonWaste Limited. Consolidated accounts are available from LondonWaste Limited, Advent Way, Edmonton, London, N18 3AG. In the opinion of the directors, LondonWaste Limited is the company's ultimate controlling party.

The directors of LondonWaste Limited are of the opinion that the group is jointly controlled by SITA (UK) Limited (SITA) and North London Waste Authority (NLWA).

At 31 December 2007, the company owed SITA Wastecare Limited and SITA Wastecare (London) Holdings Limited a total of £98,895 (2006 £93,096) both of which are members of the SITA group. SITA Wastecare Limited owed the company £1,246 (2006 £10,837).

During the year, the company charged SITA Wastecare Limited £6,585 (2006 £19,186) and SITA charged the company £414,953 (2006 £276,156) in respect of waste collection and disposal services.

As permitted by Financial Reporting Standard 8, "Related Party Transactions", the financial statements do not disclose transactions between the parent company and its subsidiaries to the extent that the transactions have been eliminated on consolidation.

POLKACREST LIMITED
NOTES TO THE FINANCIAL STATEMENTS
YEAR ENDED 31 DECEMBER 2007

26 PENSION COSTS

The company operates a defined contribution pension scheme, the assets of which are held separately from those of the company in an independently administered fund. The pension cost charge for the year is shown in note 7.