

**POLKACREST LIMITED**

Company Number: 03882534

**FINANCIAL STATEMENTS**

**YEAR ENDED 31 DECEMBER 2004**



# **POLKACREST LIMITED**

## **COMPANY INFORMATION**

<b>Directors</b>	Brian Haley Matthew McGeehan Nigel Middleton David Sargent Ian Sexton
<b>Secretary</b>	Matthew McGeehan
<b>Company Number</b>	03882534
<b>Registered Office</b>	Advent Way Edmonton London N18 3AG
<b>Auditors</b>	PKF Farringdon Place 20 Farringdon Road London EC1M 3AP

# **POLKACREST LIMITED**

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**POLKACREST LIMITED**  
**DIRECTORS' REPORT**  
**YEAR ENDED 31 DECEMBER 2004**

The directors submit their report and the financial statements for the year ended 31 December 2004.

**Results and dividends**

The profit for the year, after taxation, amounted to **£216,164** (2003 - £323,385).

**Principal activity and review of the business**

The company's principal activity is that of the collection and disposal of clinical waste.

Polkacrest Limited made good progress in 2004. The company continued to grow profitably whilst gaining share in its key markets. The collection businesses based in Kent and the West Midlands performed well and a new site was opened at Kemble in Gloucestershire.

The company continues to consider opportunities for both organic and acquisition growth.

**Directors**

The directors who served during the year were:

Stephen Brown (resigned 15 December 2004)

Stephen Hey (resigned 24 November 2004)

Brian Haley

Matthew McGeehan (appointed 24 November 2004)

Nigel Middleton

David Sargent

Ian Sexton

None of the directors have a beneficial interest in the shares of the company as defined by the Companies Act 1985.

By order of the board



**M McGeehan**

Secretary

30 March 2005

**POLKACREST LIMITED**  
**STATEMENT OF DIRECTORS' RESPONSIBILITIES**

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss 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 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 which 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 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors are responsible for ensuring that the directors' report and other information included in the annual report is prepared in accordance with company law in the United Kingdom.

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

We have audited the financial statements of Polkacrest Limited for the year ended 31 December 2004 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. These 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 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 United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Directors' Report is not consistent with the financial statements, if 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 information specified by law regarding directors' remuneration and transactions with the company 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 United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the 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 company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the 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 (continued)**

**Opinion**

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2004 and of its profit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

London, UK  
31 March 2005



Registered Auditors

**POLKACREST LIMITED**  
**PROFIT AND LOSS ACCOUNT**  
**YEAR ENDED 31 DECEMBER 2004**

	Notes	2004 £	2003 £
<b>TURNOVER</b>	<b>2</b>	<b>8,399,961</b>	<b>7,361,531</b>
Cost of sales		<u>(7,400,454)</u>	<u>(6,210,096)</u>
<b>GROSS PROFIT</b>		<b>999,507</b>	<b>1,151,435</b>
Administrative expenses			
- normal	(447,244)	(374,953)	
- amortisation of goodwill	(188,347)	(192,266)	
		<u>(635,591)</u>	<u>(567,219)</u>
<b>OPERATING PROFIT</b>	<b>3</b>	<b>363,916</b>	<b>584,216</b>
Interest receivable	6	20,350	10,844
Interest payable	7	<u>(4,475)</u>	<u>(4,095)</u>
<b>PROFIT ON ORDINARY ACTIVITIES BEFORE TAXATION</b>		<b>379,791</b>	<b>590,965</b>
<b>TAXATION</b>	<b>8</b>	<b>(163,627)</b>	<b>(267,580)</b>
<b>PROFIT FOR THE FINANCIAL YEAR</b>		<b>216,164</b>	<b>323,385</b>
<b>DIVIDENDS</b>		-	(100,000)
		<u><b>216,164</b></u>	<u><b>223,385</b></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**  
**BALANCE SHEET**  
**31 DECEMBER 2004**

	Notes	2004 £	2003 £
<b>FIXED ASSETS</b>			
Intangible	9	2,888,102	3,076,449
Tangible	10	673,629	740,936
Investments	11	80,106	80,106
		<u>3,641,837</u>	<u>3,897,491</u>
<b>CURRENT ASSETS</b>			
Stocks	12	553,916	419,473
Debtors	13	1,829,818	1,773,390
Cash at bank and in hand		269	827,111
		<u>2,384,003</u>	<u>3,019,974</u>
<b>CREDITORS: amounts falling due within one year</b>	14	<u>(1,437,740)</u>	<u>(2,496,432)</u>
<b>NET CURRENT ASSETS</b>		<u>946,263</u>	<u>523,542</u>
<b>TOTAL ASSETS LESS CURRENT LIABILITIES</b>		<u>4,588,100</u>	<u>4,421,033</u>
<b>CREDITORS: amounts falling due after more than one year</b>	15	(27,472)	(56,441)
<b>PROVISIONS FOR LIABILITIES AND CHARGES</b>	17	<u>(5,872)</u>	<u>(26,000)</u>
<b>NET ASSETS</b>		<u>4,554,756</u>	<u>4,338,592</u>
<b>CAPITAL AND RESERVES</b>			
Called up share capital	18	4,083,000	4,083,000
Profit and loss account	19	471,756	255,592
<b>SHAREHOLDERS' FUNDS</b>	20	<u>4,554,756</u>	<u>4,338,592</u>

The financial statements were approved by the board on 23 March 2005

Signed on behalf of the board of directors



D SARGENT  
Director

**POLKACREST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2004**

**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.

The company is itself a subsidiary company and is exempt from the requirement to prepare group accounts by virtue of section 228 of the Companies Act 1985. These financial statements therefore present information about the company as an individual undertaking and not about its group.

**(b) Turnover**

Turnover comprises the invoiced value of goods and services supplied by the company, net of value added tax and trade discounts.

**(c) Intangible fixed assets**

Intangible fixed assets are stated at cost less amortisation. Amortisation is provided at rates calculated to write off the cost of intangible fixed assets, less their estimated residual value, over their expected useful lives on the following basis:

Goodwill	5 %
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**(d) 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:

Commercial vehicles	14 % on cost (new)
	25 % on cost (second hand)
Plant and machinery	6.7-20 % on cost
Motor vehicles	10-25 % on cost
Office equipment	12.5-25 % on cost
Microwave	10 % on cost

**(e) 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.

**(f) Operating leases**

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

**(g) Investments**

Investments are held at cost.

**POLKACREST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2004**

**1 ACCOUNTING POLICIES (continued)**

**(h) 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.

**(i) 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.

Deferred liabilities are calculated at the tax rates expected to be effective at the time the timing differences are expected to reverse.

**(j) 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 is attributable to one class of business.

All turnover arose within the United Kingdom.

**3 OPERATING PROFIT**

The operating profit is stated after charging:

	2004	2003
	£	£
Amortisation of intangible assets	188,347	192,266
Depreciation of tangible fixed assets:		
- owned by the company	201,940	186,477
- held under finance lease or hire purchase contracts	20,676	18,875
Audit fees	13,800	12,000
Operating lease rentals:		
- plant & machinery	204,091	165,971
- land and buildings	80,784	80,784

**4 DIRECTORS' EMOLUMENTS AND BENEFITS**

	2004	2003
	£	£
Directors' emoluments	66,850	68,570
Contributions to money purchase pension schemes	3,856	3,593
	<u>70,706</u>	<u>72,163</u>

1 director (2003 - 1) was a member of the company pension scheme.

**POLKACREST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2004**

**5 STAFF COSTS**

Staff costs, including directors' emoluments, were as follows:

	2004	2003
	£	£
Wages and salaries	1,742,787	1,434,361
Social security costs	181,982	151,958
Other pension costs	46,888	44,386
	<u>1,971,657</u>	<u>1,630,705</u>

The average monthly number of persons employed by the company during the year was 80 (2003: 73).

**6 INTEREST RECEIVABLE**

	2004	2003
	£	£
Other interest receivable	<u>20,350</u>	<u>10,844</u>

**7 INTEREST PAYABLE**

	2004	2003
	£	£
Finance charges under finance lease and hire purchase contracts	<u>4,475</u>	<u>4,095</u>

**POLKACREST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2004**

**8 TAXATION**

(a) Analysis of charge in year	2004 £	2003 £
<b>UK corporation tax</b>		
Current tax on income for the year	185,594	238,481
Adjustments in respect of prior periods	(1,839)	12,099
Total UK taxation	<u>183,755</u>	<u>250,580</u>
<b>Deferred tax</b>		
Changes in deferred tax balances arising from:		
Origination or reversal of timing differences	(17,354)	17,000
Adjustments to deferred tax assets arising in previous periods	(2,774)	-
	<u>(20,128)</u>	<u>17,000</u>
<b>Tax on profit on ordinary activities</b>	<u>163,627</u>	<u>267,580</u>

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

The tax assessed for the year is greater than would be expected by multiplying profit on ordinary activities by the standard rate of corporation tax in the UK of 30%. The differences are explained below:

	2004 £	2003 £
Profit on ordinary activities before tax	<u>379,791</u>	<u>590,965</u>
Profit on ordinary activities multiplied by the standard rate of corporation tax of 30% (2003: 30%)	113,937	177,290
Effects of:		
Expenses not deductible for tax purposes	1,155	8,505
Goodwill amortisation disallowable for tax purposes	56,504	56,524
Depreciation in excess of capital allowances	6,541	-
Capital allowances in excess of depreciation	-	(3,838)
Adjustment to tax charge in respect of previous periods	(1,839)	12,099
Marginal rate relief	(3,309)	-
Other short term timing differences	10,766	-
Current tax charge for the year	<u>183,755</u>	<u>250,580</u>

**(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.

**POLKACREST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2004**

**9 INTANGIBLE FIXED ASSETS**

	<b>Goodwill</b> <b>£</b>
<b>Cost</b>	
At 1 January 2004 and 31 December 2004	<u>3,783,264</u>
<b>Amortisation</b>	
At 1 January 2004	706,815
Charge for the year	<u>188,347</u>
At 31 December 2004	<u>895,162</u>
<b>Net book amount</b>	
At 31 December 2004	<u>2,888,102</u>
At 31 December 2003	<u>3,076,449</u>

**POLKACREST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2004**

**10 TANGIBLE FIXED ASSETS**

	Motor vehicles £	Plant & machinery £	Fixtures, fittings, tools & equipment £	Capital work in progress £	Total £
<b>Cost</b>					
At 1 January 2004	604,121	937,844	66,156	31,851	1,639,972
Additions	52,283	67,042	35,983	-	155,308
Transfers	-	-	31,851	(31,851)	-
At 31 December 2004	<u>656,404</u>	<u>1,004,886</u>	<u>133,990</u>	<u>-</u>	<u>1,795,280</u>
<b>Depreciation</b>					
At 1 January 2004	287,084	586,408	25,544	-	899,036
Charge for year	84,212	116,691	21,712	-	222,615
At 31 December 2004	<u>371,296</u>	<u>703,099</u>	<u>47,256</u>	<u>-</u>	<u>1,121,651</u>
<b>Net book amount</b>					
At 31 December 2004	<u>285,108</u>	<u>301,787</u>	<u>86,734</u>	<u>-</u>	<u>673,629</u>
At 31 December 2003	<u>317,037</u>	<u>351,436</u>	<u>40,612</u>	<u>31,851</u>	<u>740,936</u>

The net book amounts of fixed assets above include £66,675 (2003 - £87,351) in respect of assets held under finance leases or hire purchase contracts.

**11 FIXED ASSET INVESTMENTS**

	Total £
<b>Cost</b>	
At 1 January 2004 and 31 December 2004	<u>80,106</u>

The company had the following wholly owned subsidiary undertakings at 31 December 2004, all of which operate in the United Kingdom and are incorporated in England and Wales:

Company	Activity
Advanced Waste Technology Limited	Dormant
Stonepark Limited	Distributor of microwave clinical waste disinfection

**POLKACREST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2004**

**12 STOCKS**

	2004	2003
	£	£
Plastic wheelie bins	434,146	329,012
Consumables	119,770	90,461
	<u>553,916</u>	<u>419,473</u>

**13 DEBTORS**

	2004	2003
	£	£
<b>Due within one year</b>		
Trade debtors	1,652,795	1,720,425
Amounts due from group undertakings	124,710	-
Other debtors	-	4,616
Prepayments & accrued income	52,313	48,349
	<u>1,829,818</u>	<u>1,773,390</u>

**14 CREDITORS**

	2004	Restated 2003
	£	£
<b>Amounts falling due within one year</b>		
Bank loans and overdrafts	70,160	-
Trade creditors	696,248	865,886
Amounts owed to group undertakings	80,114	834,718
Amounts owed to related undertakings	83,078	56,636
Corporation tax	65,133	238,020
Other tax and social security	187,274	259,222
Net obligations under finance lease and hire purchase contracts(note 16)	28,968	28,968
Accruals and deferred income	226,765	212,982
	<u>1,437,740</u>	<u>2,496,432</u>

The comparative figures for 2003 have been restated to show the correct allocation of amounts owed to group undertakings and amounts owed to related undertakings.

**15 CREDITORS**

	2004	2003
	£	£
<b>Amounts falling due after more than one year</b>		
Net obligations under finance lease and hire purchase contracts(note 16)	27,472	56,441



**POLKACREST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2004**

**16 FINANCE LEASES**

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

	2004	2003
	£	£
Within one year	28,968	28,968
Between one and five years	27,472	56,441
	<u>56,440</u>	<u>85,409</u>

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

**17 PROVISIONS FOR LIABILITIES AND CHARGES**

	Deferred taxation £
At 1 January 2004	26,000
Credited to profit and loss	(20,128)
<b>At 31 December 2004</b>	<u><b>5,872</b></u>

Deferred tax is analysed as follows:

	2004	2003
	£	£
Accelerated capital allowances	17,980	26,000
Short term timing differences	(12,108)	-
	<u>5,872</u>	<u>26,000</u>

**18 SHARE CAPITAL**

	Authorised £	Allotted, called up and fully paid No	£
At 1 January 2004 and 31 December 2004			
Ordinary shares of £1 each	4,083,000	4,083,000	4,083,000

**19 RESERVES**

	£
<b>Profit and loss account</b>	
At 1 January 2004	255,592
Profit for the year	216,164
<b>At 31 December 2004</b>	<u><b>471,756</b></u>

**POLKACREST LIMITED**  
**NOTES TO THE FINANCIAL STATEMENTS**  
**YEAR ENDED 31 DECEMBER 2004**

**20 SHAREHOLDERS' FUNDS**

	2004 £	2003 £
Shareholders' funds at 1 January 2004	4,338,592	4,115,207
Profit for the year	216,164	323,385
Dividends	-	(100,000)
Shareholders' funds at 31 December 2004	<u>4,554,756</u>	<u>4,338,592</u>

**21 OTHER COMMITMENTS**

At 31 December 2004 the company had annual commitments under operating leases as follows:

	<b>Land and buildings</b>		<b>Other</b>	
	2004 £	2003 £	2004 £	2003 £
<b>Expiry date:</b>				
Within one year	38,500	-	5,845	27,553
Between one and five years	<u>23,500</u>	<u>89,500</u>	<u>207,919</u>	<u>127,783</u>

**22 TRANSACTIONS WITH RELATED PARTIES**

The company is under the control of LondonWaste Limited, which the directors regard as the company's ultimate parent undertaking.

LondonWaste Limited prepares group accounts and transactions between group companies are not generally disclosed in the accounts of subsidiary companies in accordance with the exemption conferred by the Financial Reporting Standard No.8 'Related Party Disclosures'.

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 2004, the company owed SITA Wastecare Limited £72,079 (2003: £79,719) and Polkacrest Holdings Limited £10,998 (2003: £10,998), both of which are members of the SITA group.

During the year, the company charged SITA £7,953 (2003: £5,261) in respect of services provided. SITA charged the company £157,154 (£172,745).

**23 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 5.

**24 PARENT UNDERTAKINGS AND CONTROLLING 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 this is the company's ultimate controlling party. LondonWaste Limited is ultimately controlled by SITA (UK) Limited and North London Waste Authority.