

**Attero Services Limited (Formerly Sterile
Technologies (Newcastle) Limited)**

Financial statements

For the year ended 31 December 2006

Grant Thornton 



Company No. 5018899

Company information

Company registration number	5018899
Registered office	Ecopark Advent Way Edmonton London N18 3AG
Directors	Mr M McGeehan Mr N R Middleton Mr I A Sexton Mr B Haley Mr D G Sargent
Secretary	Mr M McGeehan
Bankers	Allied Irish Bank 51 Belmont Road Uxbridge Middlesex UB8 1RZ
Auditor	Grant Thornton UK LLP Chartered Accountants Registered Auditors Suite A Gostrey House Union Road FARNHAM Surrey GU9 7PT

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Report of the directors

The directors present their report and the financial statements of the company for the year ended 31 December 2006

Principal activities and business review

On 25 January 2007 the company changed its name from Sterile Technologies (Newcastle) Limited to Attero Services Limited

The principal activity of the company is the collection, transportation and treatment of clinical waste. On 1 January 2007 all trading operations with the exception of the Wrexham plant were transferred to Sterile Technologies (Newcastle) Limited (formerly South West Energy Limited)

Subsequent to the year end, on 16 February 2007 the company has been sold to Polkacrest Limited

Results and dividends

The profit for the year, after taxation, amounted to £1,107,443. The directors have not recommended a dividend.

Financial risk management objectives and policies

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 outlined below.

The company has no interests 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 financial risk by ensuring sufficient liquidity is available to meet foreseeable needs and to invest cash assets safely and profitably.

Interest rate risk

The company has borrowings amounting to £2,880,006 at 31 December 2006. This amount relates to a bank loan which bears interest at LIBOR plus 0.875%. The company does not make use of any type of interest hedging arrangement.

Directors

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

Mr N Wall	(resigned 1 June 2006)
Mr W D Blyde	(resigned 27 September 2006)
Mr F J M Ten Brink	(appointed 27 February 2006)
Mr S S Sacranie	(appointed 27 February 2006)
Mr J P O'Brien	(appointed 27 February 2006 and resigned 21 September 2006)
Mr P Simpson	(appointed 1 June 2006)
Mrs E Brandel	(appointed 21 September 2006)

The following appointments and resignations occurred after the year end and prior to the signing of the financial statements

Mr F J M Ten Brink	(resigned 16 February 2007)
Mr S S Sacranie	(resigned 16 February 2007)
Mr P Simpson	(resigned 16 February 2007)
Mrs E Brandel	(resigned 16 February 2007))
Mr W D Blyde	(appointed 14 February 2007 and resigned 16 February 2007)
Mr M McGeehan	(appointed 16 February 2007)
Mr N R Middleton	(appointed 16 February 2007)
Mr B Haley	(appointed 16 February 2007)
Mr D G Sargent	(appointed 16 February 2007)
Mr I A Sexton	(appointed 16 February 2007)

The company is a wholly owned subsidiary and the interests of the group directors are disclosed in the financial statements of the parent company

No director has any interests in the company that are required to be disclosed under schedule 7, section 2 of the Companies Act 1985

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 Accounting Standards (United Kingdom Generally Accepted Accounting Practice). The financial statements are required by law to 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 these 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,
- 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 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.

In so far as the directors are aware

- there is no relevant audit information of which the company's auditors are unaware, and
- the directors have taken all 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

Auditor

A resolution to re-appoint Grant Thornton UK LLP as auditor for the ensuing year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985

BY ORDER OF THE BOARD



Mr M McGeehan
Secretary
9 August 2007

Grant Thornton 

Report of the independent auditor to the members of Attero Services Limited (Formerly Sterile Technologies (Newcastle) Limited)

We have audited the financial statements of Attero Services Limited (Formerly Sterile Technologies (Newcastle) Limited) for the year ended 31 December 2006 which comprise the principal accounting policies, profit and loss account, balance sheet and notes 1 to 26. 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 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

The directors' responsibilities for preparing the Report of the Directors and the financial statements in accordance with United Kingdom law and 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 are properly prepared in accordance with the Companies Act 1985. We also report to you whether in our opinion the information given in the Report of the Directors 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 information specified by law regarding directors' remuneration and other transactions is not disclosed.

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

Basis of 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 judgements 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.

Report of the independent auditor to the members of Attero Services Limited (Formerly Sterile Technologies (Newcastle) Limited) (continued)

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.

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 company's affairs as at 31 December 2006 and of its profit 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 Report of the Directors is consistent with the financial statements



GRANT THORNTON UK LLP
REGISTERED AUDITORS
CHARTERED ACCOUNTANTS

16 August 2007

FARNHAM

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Principal accounting policies

Basis of accounting

The financial statements have been prepared under the historical cost convention, modified to include the revaluation of certain fixed assets

Cash flow statement

The directors have taken advantage of the exemption in Financial Reporting Standard No 1 (Revised 1996) from including a cash flow statement in the financial statements on the grounds that the company is wholly owned and its parent publishes a consolidated cash flow statement

Turnover

Turnover from the collection, transportation and treatment of clinical waste is recognised by reference to the stage of completion of the transaction at the balance sheet date. All turnover is recognised exclusive of VAT. Turnover 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.

Goodwill

The identifiable assets and liabilities of the businesses acquired are included in the balance sheet at their fair value at the date of acquisition. The difference between the fair value of such assets and the fair value of the purchase consideration is treated as goodwill.

Amortisation

Amortisation 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 as follows:

Goodwill - 3 years

Fixed assets

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

Depreciation

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 as follows:

Freehold land and buildings	- 20 years
Leasehold land and buildings	- 5 - 20 years or period of lease, if shorter
Fixed plant	- 5 - 20 years
Moveable plant	- 3 - 5 years

Stocks

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

Operating lease agreements

Rentals applicable to operating leases where substantially all of the benefits and risks of ownership remain with the lessor are charged against profits on a straight line basis over the period of the lease

Pension costs

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.

Deferred taxation

Deferred tax is recognised on all timing differences where the transactions or events that give the company an obligation to pay more tax in the future, or a right to pay less tax in the future, have occurred by the balance sheet date. Deferred tax assets are recognised when it is more likely than not that they will be recovered. Deferred tax is measured using rates of tax that have been enacted or substantively enacted by the balance sheet date.

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.

Profit and loss account

	Note	2006 £	2005 £
Turnover			
Continuing operations	1	4,074,077	19,011,133
Discontinued operations		17,763,688	—
		<u>21,837,765</u>	<u>19,011,133</u>
Cost of sales	2	(15,713,252)	(15,130,144)
Gross profit		<u>6,124,513</u>	<u>3,880,989</u>
Other operating charges	3	4,298,135	2,669,733
Operating profit:	4		
Continuing operations		884,113	1,211,256
Discontinued operations		942,265	—
		<u>1,826,378</u>	<u>1,211,256</u>
Interest receivable	6	1,688	380
Interest payable and similar charges	7	(188,189)	(248,997)
Profit on ordinary activities before taxation		<u>1,639,877</u>	<u>962,639</u>
Tax on profit on ordinary activities	8	532,434	262,378
Profit for the financial year	22	<u>1,107,443</u>	<u>700,261</u>

The company has no recognised gains or losses other than the results for the year as set out above

Balance sheet

	Note	2006 £	2005 £
Fixed assets			
Intangible assets	9	–	342,963
Tangible assets	10	5,451,138	5,738,027
		<u>5,451,138</u>	<u>6,080,990</u>
Current assets			
Stocks	11	383,942	252,124
Debtors	12	7,176,126	7,018,563
Cash at bank and in hand		451,085	461,512
		<u>8,011,153</u>	<u>7,732,199</u>
Creditors: amounts falling due within one year	13	7,743,398	8,759,169
Net current assets/(liabilities)		<u>267,755</u>	<u>(1,026,970)</u>
Total assets less current liabilities		<u>5,718,893</u>	<u>5,054,020</u>
Creditors: amounts falling due after more than one year	14	2,432,006	2,880,002
		<u>3,286,887</u>	<u>2,174,018</u>
Provisions for liabilities			
Deferred taxation	17	296,188	290,762
		<u>2,990,699</u>	<u>1,883,256</u>
Capital and reserves			
Called-up equity share capital	21	100	100
Revaluation reserve		740,000	740,000
Profit and loss account	22	2,250,599	1,143,156
Shareholders' funds	23	<u>2,990,699</u>	<u>1,883,256</u>

These financial statements were approved by the directors on 27 July 2007 and are signed on their behalf by



Mr M McGeehan

Notes to the financial statements

1 Turnover

The turnover and profit before tax are attributable to the one principal activity of the company

	2006 £	2005 £
United Kingdom	<u>21,837,765</u>	<u>19,011,133</u>

2 Analysis of cost of sales and net operating expenses

	Continuing Operations £	Discontinued Operations £	Total £
Year ended 31 December 2006			
Cost of sales	<u>2,682,227</u>	<u>13,031,025</u>	<u>15,713,252</u>
Administrative expenses	<u>507,737</u>	<u>3,790,398</u>	<u>4,298,135</u>
Net operating expenses	<u>507,737</u>	<u>3,790,398</u>	<u>4,298,135</u>
Year ended 31 December 2005			
Cost of sales	<u>15,130,144</u>	<u>-</u>	<u>15,130,144</u>
Administrative expenses	<u>2,669,733</u>	<u>-</u>	<u>2,669,733</u>
Net operating expenses	<u>2,669,733</u>	<u>-</u>	<u>2,669,733</u>

3 Other operating charges

	2006 £	2005 £
Distribution costs	-	6,995
Administrative expenses	<u>4,298,135</u>	<u>2,662,738</u>
	<u>4,298,135</u>	<u>2,669,733</u>

4 Operating profit

Operating profit is stated after charging

	2006	2005
	£	£
Amortisation	342,963	278,485
Depreciation of owned fixed assets	883,946	568,347
Loss on disposal of fixed assets	9,794	—
Operating lease costs		
Other	362,023	360,118

5 Directors and employees

The average number of staff employed by the company during the financial year amounted to

	2006	2005
	No	No
Plant operators	97	91
Drivers	67	60
Administrative staff	32	29
	196	180

The aggregate payroll costs of the above were

	2006	2005
	£	£
Wages and salaries	3,873,078	3,981,095
Social security costs	293,943	268,867
Other pension costs	3,100	4,416
	4,170,121	4,254,378

6 Interest receivable

	2006	2005
	£	£
Bank interest receivable	1,688	380

7 Interest payable and similar charges

	2006	2005
	£	£
Interest payable on bank borrowing	188,189	248,997

8 Taxation on ordinary activities

(a) Analysis of charge in the year

	2006 £	2005 £
Current tax		
In respect of the year		
UK Corporation tax based on the results for the year at 30% (2005 - 30%)	521,267	101,879
Under provision in prior year	5,741	-
	<u>527,008</u>	<u>101,879</u>
Group relief	-	46,199
Total current tax	527,008	148,078
Deferred tax		
Origination and reversal of timing differences	5,426	114,300
Tax on profit on ordinary activities	<u>532,434</u>	<u>262,378</u>

(b) Factors affecting current tax charge

The tax assessed on the profit on ordinary activities for the year is higher than the standard rate of corporation tax in the UK of 30% (2005 - 30%)

	2006 £	2005 £
Profit on ordinary activities before taxation	<u>1,639,877</u>	<u>962,639</u>
Profit on ordinary activities multiplied by standard rate of tax	511,403	288,792
Capital Allowances in excess of depreciation	(11,167)	(142,198)
Expenses not deductible for tax purposes	21,031	1,484
Utilisation of tax losses	-	(46,199)
Group relief	-	46,199
Adjustments to tax charge in respect of previous periods	5,741	-
Total current tax (note 8(a))	<u>527,008</u>	<u>148,078</u>

9 Intangible fixed assets

	Acquisitions goodwill and related costs £
Cost	
At 1 January 2006 and 31 December 2006	<u>1,050,192</u>
Amortisation	
At 1 January 2006	707,229
Charge for the year	342,963
At 31 December 2006	<u>1,050,192</u>
Net book value	
At 31 December 2006	<u>-</u>
At 31 December 2005	<u>342,963</u>

10 Tangible fixed assets

	Freehold Property £	Leasehold Property £	Plant & Machinery £	Total £
Cost or valuation				
At 1 January 2006	1,230,000	589,751	4,725,487	6,545,238
Additions	-	-	598,097	598,097
Disposals	-	(9,216)	(5,609)	(14,825)
Transfers	-	-	10,100	10,100
At 31 December 2006	<u>1,230,000</u>	<u>580,535</u>	<u>5,328,075</u>	<u>7,138,610</u>
Depreciation				
At 1 January 2006	8,625	84,369	714,217	807,211
Charge for the year	4,500	47,652	831,794	883,946
On disposals	-	(922)	(4,109)	(5,031)
Transfers	-	-	1,346	1,346
At 31 December 2006	<u>13,125</u>	<u>131,099</u>	<u>1,543,248</u>	<u>1,687,472</u>
Net book value				
At 31 December 2006	<u>1,216,875</u>	<u>449,436</u>	<u>3,784,827</u>	<u>5,451,138</u>
At 31 December 2005	<u>1,221,375</u>	<u>505,382</u>	<u>4,011,270</u>	<u>5,738,027</u>

Freehold land and buildings

	2006 £	2005 £
At cost	490,000	490,000
Valuation - 14 April 2004	<u>740,000</u>	<u>740,000</u>
	<u>1,230,000</u>	<u>1,230,000</u>

Freehold land and buildings were revalued in April 2004 by Messrs GVA Grimley (external chartered surveyors and commercial property consultants) The basis of the valuation used was open market value with no selling costs deducted

No provision has been made in the deferred taxation account for the estimated corporate tax that would be payable on disposal at this valuation, because, in the opinion of the directors, those assets are unlikely to be disposed of in the foreseeable future

If the freehold land and buildings had not been revalued, they would have been included on the historical cost basis at the following amount

Company

	Freehold land and buildings £
Cost	490,000
Accumulated depreciation	<u>(13,125)</u>
Net book amount at 31 December 2006	<u>476,875</u>
Net book amount at 31 December 2005	<u>481,375</u>

11 Stocks

	2006 £	2005 £
Incinerator spares	<u>383,942</u>	<u>252,124</u>

12 Debtors

	2006 £	2005 £
Trade debtors	3,927,537	3,545,108
Amounts owed by group undertakings	2,900,966	3,017,869
Other debtors	2,417	960
Prepayments and accrued income	<u>345,206</u>	<u>454,626</u>
	<u>7,176,126</u>	<u>7,018,563</u>

13 Creditors: amounts falling due within one year

	2006	2005
	£	£
Bank loans and overdrafts	448,000	448,000
Trade creditors	1,952,186	1,765,993
Amounts owed to group undertakings	3,644,114	5,202,097
Corporation tax	421,267	101,879
Other taxation and social security	568,717	447,092
Other creditors	6,009	64,957
Accruals and deferred income	703,105	729,151
	<u>7,743,398</u>	<u>8,759,169</u>

The following liabilities disclosed under creditors falling due within one year are secured by the company

	2006	2005
	£	£
Bank loans and overdrafts	<u>448,000</u>	<u>448,000</u>

14 Creditors: amounts falling due after more than one year

	2006	2005
	£	£
Bank loans and overdrafts	<u>2,432,006</u>	<u>2,880,002</u>

The following liabilities disclosed under creditors falling due after more than one year are secured by the company

	2006	2005
	£	£
Bank loans and overdrafts	<u>2,432,006</u>	<u>2,880,002</u>

15 Creditors - capital instruments

Creditors include a bank loan which is due for repayment as follows

	2006 £	2005 £
Amounts repayable		
In more than one year but not more than two years	448,000	448,000
In more than two years but not more than five years	1,344,000	1,344,000
In more than five years	640,006	1,088,002
	<u>2,432,006</u>	<u>2,880,002</u>

A bank loan for £2,800,006 is being repaid in equal quarterly instalments of £112,000 and is subject to interest being charged at 0.875% above LIBOR. The loan has been secured by a cross guarantee covering all the companies in the Stericycle Inc group.

16 Pensions

Defined Contribution Scheme

The company operates a defined contribution pension scheme for the benefit of all the employees. The assets of the scheme are administered by trustees in a fund independent from those of the company. Contributions in the year were £3,100 (2005 £4,416).

17 Deferred taxation

The movement in the deferred taxation provision during the year was

	2006 £	2005 £
Provision brought forward	290,762	176,462
Profit and loss account movement arising during the year	5,426	114,300
Provision carried forward	<u>296,188</u>	<u>290,762</u>

The provision for deferred taxation consists of the tax effect of timing differences in respect of

	2006 £	2005 £
Excess of taxation allowances over depreciation on fixed assets	<u>296,188</u>	<u>290,762</u>

18 Leasing commitments

At 31 December 2006 the company had annual commitments under non-cancellable operating leases as set out below

	2006		2005	
	Land & Buildings	Other Items	Land & Buildings	Other Items
	£	£	£	£
Operating leases which expire				
Within 1 year	-	1,887	-	-
Within 2 to 5 years	-	192,068	-	209,111
After more than 5 years	174,772	-	160,500	19,184
	<u>174,772</u>	<u>193,955</u>	<u>160,500</u>	<u>228,295</u>

19 Contingent liabilities

At the balance sheet date a cross guarantee existed between all the subsidiary companies of Stericycle Inc, Attero Services Limited's ultimate controlling related party

20 Related party transactions

The company has taken advantage of the exemption in FRS8 from disclosing transactions with related parties that are part of the Stericycle Inc group of companies, as these are all within the wholly owned group

21 Share capital

Authorised share capital

	2006	2005
	£	£
3,000,000 Ordinary shares of £1 each	<u>3,000,000</u>	<u>3,000,000</u>

Allotted, called up and fully paid

	2006		2005	
	No	£	No	£
Ordinary shares of £1 each	<u>100</u>	<u>100</u>	<u>100</u>	<u>100</u>

22 Profit and loss account

	2006	2005
	£	£
Balance brought forward	1,143,156	442,895
Profit for the financial year	<u>1,107,443</u>	<u>700,261</u>
Balance carried forward	<u>2,250,599</u>	<u>1,143,156</u>

23 Reconciliation of movements in shareholders' funds

	2006 £	2005 £
Profit for the financial year	1,107,443	700,261
Opening shareholders' funds	1,883,256	1,182,995
Closing shareholders' funds	<u>2,990,699</u>	<u>1,883,256</u>

24 Post balance sheet events

On 16 February 2007 the entire issued share capital of the company was purchased by Polkacrest Limited

25 Capital commitments

Amounts contracted for but not provided in the financial statements amounted to £Nil (2005 - £150,000)

26 Ultimate parent company

At the balance sheet date the company's immediate parent company was BFH Group Limited, a company registered in England and Wales

Stericycle Inc incorporated in the USA, was the ultimate controlling related party

The largest group of undertakings for which group accounts have been drawn up is that headed by Stericycle Inc incorporated in the United States of America. Copies of these accounts may be obtained from 28161 North Keith Drive, Lake Forest, IL 60045, USA