

RE3 Limited

**Directors' report and financial
statements**

Registered number 05663734

For the year ended 31 December 2007



Contents

Statutory information	1
Directors' report and business review	2
Statement of Directors' responsibilities in respect of the Directors' report and the financial statements	7
Independent auditors' report to the members of RE3 Limited	8
Profit and loss account	10
Balance sheet	11
Notes	12

Statutory information

Directors

JR Meredith
LJD Cassells
SN Hardman
M Robinson
V Orts

Company secretary

JM Bolton

Joint company secretary

C Favier-Tilston

Registered office

Ground Floor West
900 Pavilion Drive
Northampton Business Park
Northampton
NN4 7RG

Auditors

KPMG LLP
1 The Embankment
Neville Street
Leeds
LS1 4DW

Directors' report and business review

The directors (the "Directors") of RE3 Limited (the "Company") present their annual report and the audited financial statements for the year ended 31 December 2007

Principal activity and business review

The principal activity of the Company is the provision of waste management services under a Public Finance Initiative ("PFI") contract for Reading Borough Council, Bracknell Forest Borough Council and Wokingham District Council ("the Councils"), known as the RE3 Waste partnership (the "RE3 Waste partnership")

The RE3 Waste partnership is a 25 year, £600 million joint waste contract between the Company and the Councils ("the RE3 Contract") aimed at further reducing reliance on landfill whilst boosting recycling rates and seeking to deliver a long term sustainable solution for the Councils' waste

Under the RE3 Waste partnership, new integrated waste facilities are to be constructed at Smallmead in Reading and Longshot Lane in Bracknell. During 2007, the new Household Waste Recycling Centre and Waste Transfer Station was constructed at Smallmead, which opened to the public on 10th January 2008. The construction of a materials recovery facility and office/education centre at the Smallmead site is ongoing and completion of the facilities is planned for the end of 2008. A Household Waste Recycling Centre, Transfer Station and Education Centre are planned for Longshot Lane, Bracknell and construction will commence in April 2008 and full operation of the facilities is expected for June 2009.

In the opinion of the Directors, the Company has traded satisfactorily since commencing trading, on 4 December 2006, and profitability is expected to continue in 2008.

The activities, strategy and risks affecting the Company are inextricably similar to, and dependent on, those of the Waste Recycling Group Limited and its group of subsidiary undertakings, which are all fellow subsidiary undertakings of Fomento de Construcciones y Contratas, S A ("FCC"), ("the Group"). The Company relies upon the Group for the provision of many of its services. Consequently the following narrative relates to the Group and includes the Company as a fellow subsidiary undertaking of FCC.

The Group is one of the leading waste management services companies in the UK providing a range of cost effective and environmentally sustainable waste processing, recycling, disposal and energy recovery services for local authority and private commercial customers. Each year the Group receives, recycles and disposes of nearly 12 million tonnes of household, commercial and industrial waste. Through innovation, service and expertise, WRG is committed to working with our local authority partners and industrial and commercial customers to respond to often complex and far-reaching waste management strategies, and to react to the challenge of meeting demanding waste management targets.

Objectives, strategy and risk

The key areas of strategic development and performance of the business include

- **Sales and marketing** new and replacement business is being sought and won by the Group on an ongoing basis. The Company works hard to ensure that existing customers business is retained and key customer relationships are monitored on a regular basis. The Group is developing into a key player in the PFI and Public Private Partnership market. The RE3 Waste partnership was the first PFI for the Group and therefore represents a key reference business.
- **Services** new waste management infrastructure is being constructed for the RE3 Contract, at Smallmead, Reading and Longshot Lane, Bracknell. The Group works with our customers to find the best value integrated solutions to meet the ever evolving needs of the waste management sector.
- **Stakeholders** the Company is working to strengthen relationships with our customers, suppliers, contractors and other stakeholders including the communities in the areas within which we operate. Stakeholder liaison meetings will commence in 2008 and will be held at regular intervals throughout the life of the RE3 Contract.
- **Health and Safety** the Company treats health and safety as a priority and is continually seeking ways of ensuring a safe environment for all employees and stakeholders.

Directors' report and business review (*continued*)

- **Environment** the Company strives to achieve environmental best practice across its activities. To achieve this, the Group and Company's Directors keep policies, procedures and performance under continuous review and also maintain an ongoing close relationship with the relevant regulatory bodies
- **Employees** the Group aims to enhance the quality of our workforce, by providing good working conditions, including training and development opportunities and by careful recruitment processes

The Group operates in a highly regulated market that contains numerous risks and uncertainties. In response, the Group has appointed a Risk Committee that actively monitors the key risks that impact the business including the compilation of a comprehensive risk register. The Risk Committee covers the activities of the Company amongst its duties. The Directors of the Company regard the following to be the principal risks and uncertainties affecting the Company and the Group. The Company's and Group's approach to managing these risks and uncertainties is considered below.

- **Health and Safety** Health and safety is a key issue for the Group due to the nature of operations including the use of heavy plant and equipment and difficult working conditions. The Group is continually seeking, in consultation with the appropriate authorities, opportunities to enhance performance in this area, implementing expeditiously any improvements identified. Rigorous health and safety training for all employees is undertaken and is underpinned by detailed policies and procedures. The Directors receive regular reports on health and safety performance affecting the Company's operations and through the support of the Group it employs a dedicated team to monitor and promote high standards. All employees are expected to recognise their role for achieving high performance on health and safety matters and exhibit this through their approach and attitude at work.
- **Environmental risks** The Company's operations are heavily regulated under environmental legislation principally by the Environment Agency in England and Wales. Compliance with all environmental legislation pertinent to the Group's activities is a minimum requirement. The Directors receive regular reports on environmental compliance at the Company's sites including those for the RE3 Contract and environmental compliance is monitored and controlled by a dedicated team within the Group. The Company has adopted a formal environmental policy as part of the implementation of an EMS to be accredited to the ISO 14001 standard and includes detailed environmental procedures to enable compliance with environmental legislation and the Company adheres to these.
- **Major disruption/disaster** The Group, as part of its risk management programme, has developed business continuity planning for its operations. As part of this planning the Group has developed plans to accommodate the diversion of waste from single or multiple sites in the event of major disruption or disaster affecting a site or region. The Group's IT systems are managed by a specialist IT services company to ensure full business continuity. These plans cover the Company's operations.
- **The effect of new legislation or other regulatory activities** The Group monitors forthcoming and current legislation regularly to ensure full compliance and to anticipate and assess the impact upon its operations. The RE3 Contract includes provisions which allow the Group to pass through certain increased costs arising as a result of legislative changes which occur during the life of the contract to the Councils.
- **Litigation** The Group is subject to litigation from time to time. The outcome of legal action is always uncertain and there is the risk that it may prove more costly and time consuming than expected. There is a risk that litigation could be instigated in the future which could materially impact the Group. In some liability cases legal expenses are covered by insurance. This risk is managed through constant monitoring and the Group having a full time Group Legal Director.
- **Contract Risk** The RE3 Waste partnership is a complex arrangement involving the Company, the Councils and several sub-contractors both for the construction of facilities and the provision of waste disposal services. Given these inter-dependencies, there are inherent risks for the delivery of services with each party being dependent upon the others. To mitigate this risk, contractual documentation underpinning the RE3 Waste partnership clearly sets out responsibilities and performance targets that are managed by the Company's dedicated management team.

Directors' report and business review (continued)

Results and dividends

The results of the Company for the year ended 31 December 2007 are set out on page 10. The profit for the year ended 31 December 2007 amounted to £853,000 (368 day period ended 31 December 2007 £12,000, although the Company commenced trading on 4 December 2006) and has been transferred to reserves. The Directors do not recommend the payment of a dividend for the period under review.

Other Financial and Non-Financial Key Performance Indicators (KPIs)

To help deliver the contract and to assist in managing operational performance of the business, the following KPI's have been identified to monitor performance in certain key areas, under the RE3 Contract:

- Debt Cover Ratios – The Credit Facility Agreement, between the Company and the NIBC Bank N.V., requires that the Company manage various Debt Cover Ratios within certain given limits. The Company is obliged to forecast, monitor and report against these ratios on a bi-annual basis following completion of construction and as such these are key criteria to monitor and control.
- Health & Safety – Whilst the Company does not directly conduct any operational activity, Health and Safety performance is a key component of its two key sub-contracts, with WRG Berkshire Limited, for the provision of operation and maintenance services and Earth Tech/Clugston Joint Venture in respect of the Engineering, Procurement and Construction (EPC) works. The Company monitors the safety performance of these two key sub-contracts using the RIDDOR reportable incidents (major injuries reportable under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations 1995 and lasting over three days) per 100,000 employees comparator as described below:
 - i WRG Berkshire Limited - Performance is assessed against WRG Group targets and average performance. In 2007, the Group repeated, for the third year running, its target of a 10% reduction in the number of RIDDOR's.
 - ii Earth Tech/Clugston JV – Performance is assessed against industry standards relevant to their construction activity, of the number of reportable incidents per 100,000 employees. Their performance for 2007 was excellent, with approximately 150 reportable incidents per 100,000 employees against an industry average of 700 reportable incidents. There were no reportable incidents for the RE3 Project.
- Site Availability – Site availability is a key element of the RE3 Contract service provision and is of paramount importance to the Company's customer. As a result, the availability of key sites to both members of the public and customer authorised vehicles is subject to significant financial and performance penalties and is a key performance standard to monitor and report on. Site availability throughout 2007 has been very good.
- Waste Management Performance – The Company is required to meet targets for the effective processing of compostable and recyclable materials. Performance against these targets is measured within and linked to the payment mechanism of the RE3 Contract with the RE3 Waste Partnership and thus represents a key indicator of both the operational and financial performance of the business. The levels of recycling and composting for 2007 have been 23% and 17% higher than anticipated for these two activities respectively.

Directors and their interests

The Directors who served as directors of the Company for the year ended 31 December 2007 and up to the date of this report were as follows:

J R Meredith
LJD Cassells
SN Hardman
M Robinson
V Orts (appointed 13 March 2008)

Directors' report and business review (*continued*)

Employees

In 2007 the Company had 11 staff. The Group's employee turnover of 14.1% for 2007 (2006: 16.7%) is less than the national average of 22.9% reported for the private sector in 2007.

The Group is committed to ensuring that our policies and practices reflect HR best practices for the whole life-cycle of our employment relationship and our policy of equal opportunity give all employees the same opportunity to succeed, irrespective of age, race, nationality, ethnic origin, disability, membership of a trade union, sex or marital status. The Group has a structured training and development programme and is fully committed to ensuring that all employees have the necessary skills and knowledge to do their jobs effectively. Subject to the nature of its businesses in the waste management industry, the policy of the Group is to ensure that there are fair opportunities for the employment and training of disabled persons.

The Board are committed to maintaining the highest standards of honesty, openness and accountability and recognise that employees have an important part to play in achieving this goal. All employees are encouraged to report any concerns they may have over wrongdoing at work via the internal reporting system. Alternatively, WRG has engaged an independent confidential reporting (whistleblowing) service, should employees have concerns that they do not feel comfortable making directly to management.

WRG conducts an annual independent and confidential employee survey through an external partner. The survey is used to obtain feedback from employees about working for the Group and the findings are used to respond to areas identified for improvement. The results of the last survey were very positive and told us that 76% of employees were proud to work for WRG and 75% said that their work gives them a feeling of personal accomplishment.

The Directors recognise the importance of communication with employees and members of the Executive management team regularly visit sites and discuss with staff, matters of current interest and concern to the business. In addition, there is a monthly Team Brief, whereby the Executive report on the month's successes and performance to the entire Group and all employees are given the opportunity to ask questions to the Executive management team. An in-house magazine is also published on a regular basis.

Elective regime

On 26 April 2006 the Company passed elective resolutions in accordance with Section 379A of the Companies Act 1985 as amended (the "Act") to dispense with the formalities of

- The laying of accounts and reports before the Company in general meeting (section 252 of the Act),
- The holding of annual general meetings (section 366A of the Act), and
- The obligation to appoint auditors annually (section 386 of the Act).

Section 253(2) gives members the right to require the laying of accounts before the Company in general meeting. To exercise such right, a member must give notice in writing to that effect deposited at the registered office of the Company within 28 days of the day on which the report and financial statements are sent out in accordance with section 238(1) of the Act.

Charitable and political donations

No political or charitable donations were made during the year or during the period from 29 December 2005 to 31 December 2006.

Disclosure of information to auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware, and each Director has taken all the steps that he ought to have taken as a Director to make himself aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Directors' report and business review *(continued)*

Auditors and Annual General Meeting

Pursuant to a shareholders' elective resolution passed on 26 April 2006, the Company is not obliged to reappoint its auditors annually and KPMG LLP will therefore continue in office

By order of the board

A handwritten signature in black ink, appearing to be 'JM Bolton', written in a cursive style.

JM Bolton
Company Secretary

14 April 2008

Statement of Directors' responsibilities in respect of the Directors' report and the financial statements

The Directors are responsible for preparing 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 period. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK 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 judgments and estimates that are reasonable and prudent,
- 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 proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 1985. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Company and to prevent and detect fraud and other irregularities



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Independent auditors' report to the members of RE3 Limited

We have audited the financial statements of RE3 Limited for the year ended 31 December 2007 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 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 auditors

The directors' responsibilities for preparing the financial statements in accordance with applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice) are set out in the Statement of Directors' Responsibilities on page 7.

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 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 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 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 RE3 Limited *(continued)*

Opinion

In our opinion

- the financial statements give a true and fair view, in accordance with UK Generally Accepted Accounting Practice, of the state of the Company's affairs as at 31 December 2007 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 Directors' Report is consistent with the financial statements

KPMG LLP

KPMG LLP
Chartered Accountants
Registered Auditor

29 April 2008

Profit and loss account
year ended 31 December 2007

	<i>Note</i>	Year ended 31 December 2007 £000	368 days ended 31 December 2006 £000
Turnover	2	12,817	447
Cost of sales		(10,018)	(336)
Gross profit		2,799	111
Administrative expenses		(1,461)	(102)
Operating profit		1,338	9
Interest receivable and similar income	5	48	5
Interest payable and similar charges	6	(27)	(2)
Profit on ordinary activities before taxation	3	1,359	12
Tax on profit on ordinary activities	7	(506)	-
Profit for the financial year	13	853	12

All results are derived from continuing operations

There are no recognised gains and losses in the current financial year or in the previous financial period other than as stated in the profit and loss account. Therefore, no separate statement of total recognised gains and losses has been presented.

There is no material difference between the profit on a historical cost basis and that shown in the profit and loss account.

Balance sheet
at 31 December 2007

	<i>Note</i>	2007 £000	2006 £000
Fixed assets			
Tangible fixed assets	8	20,313	8,291
Current assets			
Debtors	9	2,266	1,967
Cash held on deposit	16	660	700
Cash at bank and in hand		3,077	3,283
		6,003	5,950
Creditors: amounts falling due within one year	10	(5,289)	(4,530)
Net current assets		714	1,420
Total assets less current liabilities		21,027	9,711
Creditors: amounts falling due in more than one year	11	(20,152)	(9,689)
Net assets		875	22
Capital and reserves			
Called up share capital	12	10	10
Profit and loss account	13	865	12
Equity shareholders' funds	14	875	22

These financial statements were approved by the Board of Directors on 14 April 2008 and were signed on its behalf by



LJD Cassells
Director

Notes

(forming part of the financial statements)

1 Accounting policies

These financial statements are prepared in accordance with applicable United Kingdom accounting standards

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the financial statements

Accounting convention

The financial statements are prepared under the historical cost convention

Cash flow exemption

The Company has taken advantage of the exemption, conferred by Financial Reporting Standard 1 (Revised) from presenting a cash flow statement as it is a wholly owned subsidiary of a group which has prepared a consolidated cash flow statement

Turnover

Turnover represents invoiced sales of goods and services including landfill tax, but excluding value added tax and discounts allowed

Fixed assets and depreciation

Tangible fixed assets are shown at cost. Depreciation is provided on tangible fixed assets in use at rates calculated to write off the cost less residual value of assets as follows

Leasehold buildings	- 25 years
Build development costs	- 25 years
Plant and machinery	- 3 to 10 years

Capital instruments

Capital instruments are recorded at the fair value of the consideration received less issue costs in accordance with FRS 4 "Capital instruments". The difference between the net proceeds of the issue and the total amounts of payments that the issuer may be required to make is recorded as a finance cost of the instrument and written off over the life of the instrument

Financial instruments

Derivative instruments utilised by the Company are interest rate swaps. The Company does not enter into speculative derivative contracts. All such instruments are used for hedging purposes to alter the risk profile of an existing underlying exposure of the Company in line with the Company's risk management policies. Amounts payable or receivable in respect of these instruments are recognised as adjustments to interest expense over the period of the contracts

Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes

Deferred tax is recognised with discounting in respect of all timing differences between the treatment of certain items of taxation and accounting purposes which have arisen but not reversed by the balance sheet date, except as otherwise required by FRS 19

Notes (continued)

1 Accounting policies (continued)

Leases

Operating leases are charged to the profit and loss account on a straight-line basis over the lease term

Post Retirement Benefits

For defined contribution schemes the amount charged to the profit and loss account in respect of pension costs and other post-retirement benefits is the contributions payable in the year. Differences between contributions payable in the year and the contributions actually paid are shown as either accruals or prepayments in the balance sheet

2 Turnover

All turnover was generated in the United Kingdom principally from the handling, recycling and disposal of waste materials

3 Profit on ordinary activities before taxation

	Year ended 31 December 2007 £000	368 days ended 31 December 2006 £000
Profit on ordinary activities before taxation is stated after charging:		
Depreciation of tangible fixed assets - owned	251	18
	<u>251</u>	<u>18</u>

Auditors' remuneration in respect of audit fees has been borne by Waste Recycling Limited, a fellow subsidiary undertaking of Fomento de Construcciones y Contratas, S A

4 Information regarding Directors and employees

None of the Directors received any remuneration or other benefits through the Company during the year or during the previous financial period ended 31 December 2006. They are all remunerated as Directors or employees of Waste Recycling Group Limited, a fellow subsidiary of the Company's ultimate parent undertaking Fomento de Construcciones y Contratas, S A

	Year ended 31 December 2007 £000	368 days ended 31 December 2006 £000
Wages and salaries	277	10
Social security costs	29	1
Other pension costs	4	-
	<u>310</u>	<u>11</u>
	No	No
The average weekly number of employees (including Directors) in the year	<u>11</u>	<u>6</u>

Notes *(continued)*

5 Interest receivable and similar income

	Year ended 31 December 2007 2007 £000	368 days ended 31 December 2006 2006 £000
Bank interest receivable	48	5

6 Interest payable and similar charges

	Year ended 31 December 2007 £000	368 days ended 31 December 2006 £000
Bank charges and similar costs	5	-
Other finance costs	22	2
	27	2

7 Tax on profit on ordinary activities

	Year ended 31 December 2007 £000	368 days ended 31 December 2006 £000
UK Corporation tax		
United Kingdom corporation tax at 30% (2006 30%) based on profits for the year	506	-
Total current tax charge	506	-
Deferred tax		
Timing differences, origination and reversal	-	-
Tax on profit on ordinary activities	506	-

Notes (continued)

7 Tax on profit on ordinary activities (continued)

The total current tax charge for the current year is more than (2006 less than) the standard rate of 30% (2006 30%) for the reasons set out in the following reconciliation

	Year ended 31 December 2007 £000	368 days ended 31 December 2006 £000
Profit on ordinary activities before tax	1,359	12
Tax on profit on ordinary activities at standard rate	408	4
Factors affecting charge		
Expenses not deductible for tax	23	-
Group relief received and not paid for	-	(4)
Depreciation in excess of capital allowances	75	-
	506	-

The Company had no provided or unprovided deferred tax balances at 31 December 2007 or at 31 December 2006

8 Tangible fixed assets

	Plant and equipment £000	Assets under construction £000	Total £000
Cost			
At 1 January 2007	-	8,309	8,309
Additions in the year	611	11,662	12,273
At 31 December 2007	611	19,971	20,582
Depreciation			
At 1 January 2007	-	18	18
Charge for the year	33	218	251
At 31 December 2007	33	236	269
Net book value			
At 31 December 2007	578	19,735	20,313
At 31 December 2006	-	8,291	8,291

Assets under construction include bid development costs amounting to £5,224,000 (2006 £5,442,000) after charging £218,000 (2006 £18,000) of depreciation in the year. Bid development costs, represent costs incurred during the preferred bidder stage of bringing the RE3 project to financial close and are being written off on a straight-line basis over the life of the PFI contract, being 25 years.

Notes (continued)

9 Debtors

	2007 £000	2006 £000
Trade debtors	1,478	526
Other debtors	279	1,410
Amounts due from group undertakings	10	10
Prepayments	499	21
	<u>2,266</u>	<u>1,967</u>

10 Creditors amounts falling due within one year

	2007 £000	2006 £000
Bank loans and overdrafts (note 11)	100	400
Trade creditors	2,197	3,227
Amounts owed to group undertakings	1,089	-
Corporation tax	506	-
Other creditors	660	700
Accruals	737	203
	<u>5,289</u>	<u>4,530</u>

11 Creditors: amounts falling due after more than one year

	2007 £000	2006 £000
Bank loans (unsecured)	20,152	9,689

Borrowings maturity profile

	2007 £000	2006 £000
Within one year or on demand	100	400
Between one and two years	6,195	-
Between two and five years	-	6,195
More than five years	13,957	3,494
	<u>20,252</u>	<u>10,089</u>
Amounts falling due within one year (note 10)	(100)	(400)
	<u>20,152</u>	<u>9,689</u>

Notes (continued)

12 Called up share capital

	2007 £000	2006 £000
<i>Authorised, allotted and fully paid</i>		
10,000 ordinary shares of £1 each	10	10
	<u>10</u>	<u>10</u>

13 Reserves

	Profit and loss account £000
At 1 January 2007	12
Profit for the financial year	853
	<u>865</u>
At 31 December 2007	<u>865</u>

14 Reconciliation of movements in shareholders' funds

	Year ended 31 December 2007 £000	368 days ended 31 December 2006 £000
Profit for the financial year	853	12
New share capital issued during the year	-	10
	<u>853</u>	<u>22</u>
Net additions to shareholders' funds	853	22
Opening shareholders' funds	22	-
	<u>875</u>	<u>22</u>
Closing shareholders' funds	<u>875</u>	<u>22</u>

15 Pension contributions

The Company participates in the defined contribution scheme operated by Waste Recycling Group Limited on behalf of its eligible employees. The assets of this scheme are held separately from those of the Company in independently administered funds.

There were no outstanding or prepaid contributions at the end of the year in respect of defined contribution scheme. Contributions under defined contribution scheme amounted to £4,000 during the year (*period ended 31 December 2006 £225*).

Notes (continued)

16 Contingent liabilities

Cash held on deposit

Also under the Accounts Agreement, the Company must deposit a collateral reservation sum equal to the aggregate of £50,000 per month and any shortfall in the collateral reservation sum deducted from the operating contractor in the previous contract month commencing on 1 December 2006 through to 1 May 2009. At 31 December 2007 this amounted to £660,000 including accrued interest (*2006 £50,000*).

At 31 December 2006, the Company also had restricted access to a further £650,000 under an Accounts Agreement dated 31 October with NIBC bank NV pending satisfactory planning permission on a key site being achieved. This was achieved during 2007 and hence access to these funds was unrestricted at 31 December 2007.

17 Capital commitments

	2007 £000	2006 £000
Contracted for at 31 December	13,813	24,238

18 Related party transactions

In the period prior to the change in the Company's ultimate parent undertaking on 27 September 2006, Terra Firma Investments (GP) 2 Limited, acting as general partner of the six limited partnerships which constitute the Terra Firma Capital Partners II Fund, Terra Firma Capital Partners II L P -H and TFCP II Co-Investment 1LP ("Terra Firma"), had the ability to exercise a controlling influence over the Company through the holding of shares. The Directors therefore considered Terra Firma to be a related party.

Also prior to 27 September 2006, WRG Holdings Limited (now Infinis Holdings Limited) had the ability to exercise a controlling influence over the Company and other subsidiary undertakings, which are not members of the Group. The Directors therefore considered these other subsidiary undertakings of WRG Holdings Limited to be related parties.

The Company did not trade while it was under its previous ownership.

The Directors regard all subsidiaries of Fomento de Construcciones y Contratas, S A ("FCC") as related parties.

In the ordinary course of business, the Company traded with Waste Recycling Group Limited, an indirect subsidiary of FCC, together with its subsidiary undertakings.

The Company has taken advantage of the exemption conferred by FRS 8 from disclosing details of these transactions.

19 Ultimate parent company

The immediate parent of the Company is RE3 Holding Limited, a company registered in England and Wales.

The Directors regard Fomento de Construcciones y Contratas, S A, a company registered in Spain, as the ultimate controlling partner and ultimate parent entity. Copies of the financial statements of Fomento de Construcciones y Contratas, S A are available from the Company Secretary, Ground Floor West, 900 Pavilion Drive, Northampton Business Park, Northampton, NN4 7RG.