Company Registration No. 05663734

RE3 Limited

Report and Financial Statements

31 December 2013

RE3 Limited

Report and financial statements 2013

Officers and professional advisers

Directors

P Taylor
V F Orts-Llopis
M R W Tipton

Company Secretary

C Nunn

Registered Office

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

Auditor

Deloitte LLP
2 New Street Square
London
EC4A 3BZ

RE3 Limited

Strategic report

Overview of Group

RE3 Limited ("the Company") is an indirect subsidiary of Fomento de Construcciones y Contratas, S.A. ("FCC"), the ultimate parent company domiciled in Spain. FCC is a significant multi-national business listed on the Madrid stock exchange with operations in Europe, South and Central America, Africa, the Middle East and the United States of America. FCC's principal activities cover Environmental Services (including waste management), Construction, Cement and Infrastructure.

The activities, strategy and risks affecting the Company are inextricably similar to, and dependent on, those of FCC Environment (UK) Limited ("FCC E UK") and FCC E UK's subsidiary undertakings (together the "Group"), which, like the Company, are all fellow subsidiary undertakings of FCC. The Company relies upon the Group for the provision of many of its services and to operate the waste management facilities and contracts.

FCC's substantial financial strength and depth of experience in the European waste infrastructure sector is backed by over 100 years of experience in operating municipal services contracts. This complements the position of the Group as a leading waste management, recycling and renewable energy business and the Group's ambition to maintain its position as a significant player in establishing the next generation of waste treatment infrastructure in the UK. The core services provided by the Group are fully aligned with FCC's strategic growth plans and it is ideally placed to take advantage of local opportunities to provide the services and infrastructure required by the United Kingdom to meet the European Waste Framework Directive; 50% of all municipal waste will have to be recycled by 2020 and the European Union's target that 20% of all energy consumed should be from a renewable source by 2020. The Directors continue to look forward to the opportunities that are presented to the Group and its employees by virtue of FCC's plans to expand and embed its operations in the UK.

Business review

The Directors consider that the Company's business performance was disappointing during 2013 albeit against a backdrop of the difficult and ongoing market conditions seen in recent years.

Commentary on the Company's results is set out in the Results, dividends and key performance indicators section.

Future trends and developments

The Company has been operating in a challenging economic climate which has seen reductions in municipal waste volumes received from the RE3 Waste Partnership. Although lower waste volumes have an impact on turnover, underlying operating profit is not significantly affected but overall profitability has been impacted in 2013 by an additional provision to cover the potential for excess profits to be payable back to RE3 Waste Partnership. The Directors of the Company expect the business to continue to perform well in future periods.

Results and dividends

The results of the Company for the year ended 31 December 2013 are presented on page 10. The loss for the year amounted to £356,000 (2012: £401,000 profit). The Directors do not recommend the payment of a final dividend (2012: £401,000) for the year under review following an interim dividend of £401,000 approved and paid during 2013 following funders' approval (2012: £1,278,000). The loss (2012: profit) for the financial year has been withdrawn from (2012: transferred to) reserves, which after the payment of dividends during the year has resulted in a shareholders' deficit of £356,000 (2012: £401,000 shareholders' funds).

Strategic report (continued)

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:

- Debt Cover Ratios – The Credit Facility Agreement, between the Company and NIBC Bank NV, 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 of the project in 2009. The company has comfortably met all Debt Cover Ratios to date and is currently forecasting compliance with the Credit Facility requirements in all future periods.
- Site Availability – Site availability is a key element of the RE3 Contract service provision and is of paramount importance to the Councils. 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. Penalties remain at a low level on the project, the total financial penalties against site availability standards during 2013 being £6,950 (2012: nil).
- 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 therefore represents a key indicator of both the operational and financial performance of the business. In 2013 the Company exceeded the relevant targets with an increase in overall Municipal Solid Waste ("MSW") tonnage at RE3 to 193,029 tonnes. The overall levels of recycling and composting for 2013 were 2.5% lower than 2012 and the overal levels of recovery were 3.4% lower than 2012.

Principal risks and uncertainties

Operating in the UK's highly regulated waste management market presents numerous risks and uncertainties to the Group. In response, FCC E UK has appointed a Risk Committee that actively monitors the key risks that impact the Group including the compilation of a comprehensive risk register. The Directors regard the following to be the principal risks and uncertainties affecting the Group and their 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 its operations, including the use of heavy plant equipment and difficult working conditions. The Group is continually improving in this area as a result of ongoing consultation with the relevant authorities and the monitoring of best practice initiatives. Whenever an area is highlighted for improvement, the Group seeks to implement such improvement expeditiously, through bulletins, on-line training courses and tool-box briefings. The Group's Incident Review Panel meets quarterly, at which senior management review significant health and safety incidents that have occurred at FCC E UK sites to identify improvements and lessons for the business. All employees undertake a rigorous health and safety training programme, which is underpinned by the latest UK legislation, detailed policies and procedures. The Group's executive management receive regular, detailed reports on health and safety performance affecting the Group's operations and it employs a dedicated team, led by the Group Health, Safety, Environment and Quality Manager, to monitor and promote high standards. All employees are expected to recognise their role in achieving acceptable standards of health and safety and to exhibit such understanding through their approach and attitude to work.

Strategic report (continued)

Principal risks and uncertainties (continued)

- **Environmental risks:** The Group's operations are tightly controlled under environmental legislation enforced principally by the Environment Agency ("EA") and the Scottish Environment Protection Agency ("SEPA"). Compliance with all environmental legislation pertinent to the Group's activities is a minimum requirement. A dedicated in-house team prepare regular reports on environmental compliance at the Group's sites for the Directors' review. The Group has adopted a formal environmental policy, which was last reviewed in 2012 and there are detailed environmental procedures to enable compliance with environmental legislation.
- **Business continuity:** 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 a bespoke emergency plan for each operational facility (including the diversion of waste from single or multiple sites in the event of major disruption or disaster affecting a site or region). FCC E UK's IT systems are outsourced to a specialist IT services company and are covered by an IT disaster recovery plan, to ensure business continuity. The Group is working on the development of a new business continuity plan under the control of FCC E UK's Integrated Management System that will be designed around the British Standard 25999.
- **Legislation:** The Group monitors forthcoming and current legislation to ensure full compliance and to anticipate and assess the impact upon its operations, including the significant opportunities it can present. The waste management industry is subject to extensive government regulation which has a substantial impact on the Group's business, FCC E UK therefore actively lobbies for its interests at European, national and regional levels through trade associations and federations.
- **Litigation:** The Group is subject to litigation from time to time. The outcome of legal action is always uncertain and there is a risk that it may prove more costly and time consuming than expected. There is also a risk that litigation could be instigated in the future that could materially impact the Group. In some liability cases legal expenses are covered by the Group's liability insurance. This risk is mitigated through continued monitoring and employing an experienced and dedicated in-house legal team.
- **Competitive risk:** The Group operates in highly competitive markets in which competitors' service offerings may react faster to legislative and market dynamics than those of the Group. To mitigate this risk the Group ensures that its asset, cost and capital base is regularly reviewed and flexed to meet changes in customers' demands and to maximise cash generation.
- **Employees:** The loss of key employees or the inability to hire experienced management personnel could have a materially adverse effect on the business. To manage this risk, succession planning for senior positions within the Group is undertaken. In addition, the Group has the benefit of being able to draw on wider resources from within FCC.
- **Technology:** The Group relies on a variety of information technology platforms for the efficient delivery of its services and has therefore employed a structured IT Support team, using internal and external resources. In addition, there are a wide variety of technologies available to the waste management industry, there is a risk that the technologies employed by the Group might fail to deliver expected performance levels or end products for its customers and so FCC E UK has made a significant investment into establishing a dedicated technical and development team. This team review and assess the available technologies before any are adopted to ensure they will meet the needs of the business and that of its customers.

Financial risk management

The Company is exposed to financial risk through its financial assets and liabilities. The most important components of financial risk are interest rate risk, credit risk and liquidity risk. Due to the nature of the Company's activities and the assets contained within the Company's balance sheet, the only financial risks the Directors consider relevant to the Company are liquidity and credit risk.

Strategic report (continued)

Liquidity and credit risk

The Company's exposure to credit and liquidity risk is reduced as it is an indirect wholly owned subsidiary of FCC and therefore has the ability to draw from the wider resources of FCC. Credit risk arises from the risk of having credit exposures to customers, including outstanding receivables. The Company reviews the credit ratings of all significant customers regularly and continues to monitor the quality of debtor balances on an ongoing basis. Liquidity risk is the risk that the Company does not have sufficient cash resources to meet its commitments. The Company prepares and reviews cash flow forecasts frequently to ensure that it has sufficient resources to meet its cash flow commitments.

Going concern

The Directors have considered the use of the going concern basis in the preparation of the financial statement in the light of the current economic conditions, and concluded that it is appropriate. Full details of the going concern considerations can be found in note 1 of the notes to the financial statements.

Approved by the Board of Directors
and signed on its behalf by:

C Nunn
Company Secretary
26 June 2014

Directors' report

The Directors of RE3 Limited present their annual report and the audited financial statements for the year ended 31 December 2013.

Principal activity

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, £600million 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.

The activities, strategy and risks affecting the Company are inextricably similar to, and dependent on, those of the Group, which, like the Company, are all fellow subsidiary undertakings of FCC. The Company relies upon the Group for the provision of many of its services and to operate the waste management facilities and contracts. Consequently the following narrative relates to the Group and includes the Company as a fellow subsidiary undertaking of FCC.

The Group is a key player within the municipal waste management sector, with over 70 Local Authority clients across England, Wales and Scotland.

Directors

The following served as Directors of the Company for the year ended 31 December 2013 and up to the date of this report:

P Taylor
V F Orts-Llopis
C J Ellis (resigned 28 November 2013)
M R W Tipton

Directors' indemnities

During the financial year, qualifying third party indemnity provisions for the benefit of all Directors of the Company were in force and continue to be in force at the date of this report. Such provisions were made by FCC.

Employees

The professionalism and commitment shown by the Group's employees over the last year has been a major contribution to its successful operation. The Directors would like to thank all employees for their hard work, dedication and loyalty during what has been another challenging and eventful year.

FCC E UK is committed to ensuring that its policies and practices reflect human resource best practice. The Group's policy of equal opportunity gives all employees the same chance 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, career development and training of disabled persons.

Directors' report (continued)

Employees (continued)

The Directors are dedicated 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 Group's internal reporting system. In addition, FCC E UK has engaged an independent confidential reporting (whistleblowing) service that employees can access should they feel uncomfortable in approaching management. Following implementation of the UK's Bribery Act, the Group has provided training to all employees regarding the procedures and practices in place within our business to prevent bribery and has issued an Anti-Fraud and Bribery Policy to which all employees must adhere.

Training continues to be a high priority for FCC E UK and it recognises that it is vital that its employees have the relevant skills to take up the new and exciting roles that are being created as the industry, and therefore the business, evolves.

The Directors recognise the importance of communication with employees and members of the executive management team regularly visit sites and discuss matters of current interest and concern to the business with staff. In addition, the executive management regularly report on the Group's successes and performance to the entire Group via a monthly brief delivered by local management and announcements on the Group Intranet. An in-house magazine is also published on a regular basis.

Disclosure of information to the auditor

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 auditor is 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 auditor is aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006 (the "Act").

Auditor

Pursuant to section 487 of the Act, the auditor will be deemed to be reappointed annually by the Company and Deloitte LLP will therefore continue in office until further notice.

Approved by the Board of Directors
and signed on its behalf by:

C Nunn
Company Secretary
26 June 2014

Directors' responsibilities statement

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 year. Under that law they have elected to prepare the financial statements in accordance with UK Generally Accepted Accounting Practice, (United Kingdom Accounting Standards and applicable law).

Under Company law the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of their profit or loss for that period. In preparing the 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;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that its financial statements comply with the Companies Act 2006. 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.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of RE3 Limited

We have audited the financial statements of RE3 Limited for the year ended 31 December 2013, which comprise of the profit and loss account, the balance sheet and the related notes 1 to 18. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Directors and auditor

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Directors; and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the annual report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by us in the course of performing the audit. If we become aware of any apparent material misstatements or inconsistencies we consider the implication of our report.

Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Company's affairs as at 31 December 2013 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on matters prescribed by the Companies Act 2006

In our opinion the information in the Strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Makhan Chahal

Makhan Chahal (Senior Statutory Auditor)
for and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London, United Kingdom
26th June 2014

RE3 Limited

Profit and loss account
Year ended 31 December 2013

	Notes	2013 £'000	2012 £'000
Turnover	2	**21,448**	20,937
Cost of sales		**(16,360)**	(15,429)
Gross profit		**5,088**	5,508
Administrative expenses		**(2,905)**	(2,586)
Operating profit		**2,183**	2,922
Net interest payable and similar charges	5	**(2,437)**	(2,530)
(Loss)/profit on ordinary activities before taxation	3	**(254)**	392
Tax (charge)/credit on (loss)/profit on ordinary activities	6	**(102)**	9
(Loss)/profit for the financial year	14	**(356)**	401

All results are derived from continuing operations.

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

Balance sheet
At 31 December 2013

	Notes	2013 £'000	2012 £'000
Fixed assets			
Tangible assets	7	**27,625**	29,164
Current assets			
Debtors: amounts due within one year	8	**5,300**	5,533
Debtors: amounts due after more than one year	8	**1,500**	1,500
Cash at bank and in hand		**5,589**	5,502
		12,389	12,535
Creditors: amounts falling due within one year	9	**(6,407)**	(6,033)
Net current assets		**5,982**	6,502
Total assets less current liabilities		**33,607**	35,666
Creditors: amounts falling due after more than one year	10	**(32,896)**	(34,208)
Provisions for liabilities	12	**(1,057)**	(1,047)
Net (liabilities)/assets		**(346)**	411
Capital and reserves			
Called up share capital	13	**10**	10
Profit and loss account	14	**(356)**	401
Shareholders' (deficit)/funds	15	**(346)**	411

The financial statements of RE3 Limited registered number 05663734 were approved by the Board of Directors on 26 June 2014.

Signed on behalf of the Board of Directors

V F Orts-Llopis
Director

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 both the current and previous financial year 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.

Going concern

The Directors have reviewed the Company's supply chain and do not believe that any specific risk has been identified. The Directors also considered the ability of the RE3 Waste Partnership to continue to make payments due under the RE3 Contract to the Company and do not consider this to be a material risk.

The Company has net liabilities of £346,000. However, the Company's forecasts and projections show that the Company expects to be able to continue to operate for the full term of the concession, currently ceasing in 2032. Accordingly, the Directors consider it appropriate to continue to prepare the financial statements on the going concern basis, despite the current uncertain economic outlook.

Cash flow statement

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 in a group which has prepared a consolidated cash flow statement.

Turnover

Turnover is stated net of value added tax and trade discounts. Turnover from the supply of services represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. Turnover is recognised in respect of waste disposal services at the point that costs are incurred in receiving and treating the waste. Where payments are received from customers in advance of services provided, the amounts are recorded as deferred income and included as part of creditors.

Tangible fixed assets

Tangible fixed assets are stated 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:

Waste treatment assets (including bid 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.

Notes to the financial statements
Year ended 31 December 2013

1. **Accounting policies (continued)**

Taxation

Current tax, including UK corporation tax and foreign tax, is provided at amounts expected to be paid (or recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results as stated in the financial statements that arise from the inclusion of gains and losses in tax assessments in periods different from those in which they are recognised in the financial statements.

A net deferred tax asset is regarded as recoverable and therefore recognised only to the extent that, on the basis of all available evidence, 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 is not recognised when fixed assets are revalued unless by the balance sheet date there is a binding agreement to sell the revalued assets and the gain or loss expected to arise on sale has been recognised in the financial statements. Neither is deferred tax recognised when fixed assets are sold and it is more likely than not that the taxable gain will be rolled over, being charged to tax only if and when the replacement assets are sold.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the timing differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on a non-discounted basis.

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. **(Loss)/profit on ordinary activities before taxation**

	2013 **£'000**	2012 £'000
(Loss)/profit on ordinary activities before taxation is stated after charging/(crediting):		
Depreciation of tangible fixed assets – owned	**1,539**	1,610
Profit on disposal of tangible fixed assets	**-**	(77)
Fees payable to the Company's auditor for the audit of the company's financial statements	**17**	17
Fees payable to the Company's auditor and its associates for other services to the Company - Other services	**7**	-

Notes to the financial statements
Year ended 31 December 2013

4. Information regarding the Directors and employees

One of the Directors received remuneration or other benefits through the Company during the year (2012: one). The other Directors are all remunerated as Directors or employees of FCC Environment (UK) Limited for services to the Group as a whole and as such it is not possible to directly attribute any element of their remuneration to services as a director of this company.

	2013 £'000	2012 £'000
Wages and salaries	**226**	252
Social security costs	**26**	28
Pension costs	**13**	9
	265	289
	No.	No.
The average number of employees (including Directors) in the year was:	**9**	9

Directors' remuneration

	2013 £'000	2012 £'000
Emoluments	**99**	96
Contributions to defined contribution pension schemes	**8**	8
	107	104

One of the Directors had benefits accruing under defined contribution schemes at the year end (2012: one).

5. Net interest payable and similar charges

	2013 £'000	2012 £'000
Interest receivable and similar income		
Bank interest receivable	**8**	15
Interest payable and similar charges		
Bank charges and similar costs	**(26)**	(26)
Loan interest payable	**(2,419)**	(2,519)
	(2,445)	(2,545)
Net interest payable	**(2,437)**	(2,530)

Notes to the financial statements
Year ended 31 December 2013

6. Tax on (loss)/profit on ordinary activities

	2013 £'000	2012 £'000
UK Corporation tax		
United Kingdom corporation tax at 23.25% (2012: 24.5%) based on (losses)/profits for the year	**361**	193
Adjustment in respect of prior years	**(269)**	(168)
	92	25
Deferred tax		
Timing differences, origination and reversal (note 12)	**10**	(34)
Tax charge/(credit) on (loss)/profit on ordinary activities	**102**	(9)

The total current tax charge for both the current and previous year differs from the average standard rate of 23.25% (2012: 24.5%) for the reasons set out in the following reconciliation:

	2013 £'000	2012 £'000
(Loss)/profit on ordinary activities before taxation	**(254)**	392
Tax on (loss)/profit on ordinary activities at average standard rate	**(59)**	96
Factors affecting (credit)/charge:		
Depreciation in excess of capital allowances	**420**	97
Adjustment in respect of prior years	**(269)**	(168)
Total current tax charge	**92**	25

A number of changes to the UK Corporation Tax system were announced in the March 2013 Budget Statement. The Finance Act 2013 enacted on 17 July 2013 included legislation to reduce the main rate of corporation tax from 23% to 21% from 1 April 2014 and a further reduction from 21% to 20% from 1 April 2015.

Notes to the financial statements
Year ended 31 December 2013

7. Tangible fixed assets

	Plant and machinery £'000	Waste treatment assets £'000	Total £'000
Cost			
At 1 January 2013	170	36,195	36,365
Disposals	(25)	-	(25)
At 31 December 2013	145	36,195	36,340
Accumulated depreciation			
At 1 January 2013	170	7,031	7,201
Charge for the year	-	1,539	1,539
Disposals	(25)	-	(25)
At 31 December 2013	145	8,570	8,715
Net book value			
At 31 December 2013	**-**	**27,625**	**27,625**
At 31 December 2012	-	29,164	29,164

Waste treatment assets include bid development costs with a net book value of £3,915,000 (2012: £4,133,000) after charging £218,000 (2012: £218,000) 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.

8. Debtors

	2013 £'000	2012 £'000
Amounts due within one year		
Trade debtors	**2,366**	2,388
Amounts due from group undertakings	**867**	958
Prepayments and other debtors	**2,453**	2,187
	5,686	5,533
Amounts due after more than one year		
Amounts due from group undertakings	**1,500**	1,500

Notes to the financial statements
Year ended 31 December 2013

9. Creditors: amounts falling due within one year

	2013 £'000	2012 £'000
Bank loans (unsecured) (note 11)	**1,312**	1,341
Trade creditors	**-**	493
Amounts owed to group undertakings	**1,044**	920
Accrued interest on unsecured subordinated loan notes issued to RE3 Holding Limited	**187**	187
Other creditors	**193**	232
Accruals	**4,057**	2,860
	6,793	6,033

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

	2013 £'000	2012 £'000
Bank loans (unsecured) (note 11)	**25,201**	26,513
Unsecured subordinated loan notes issued to RE3 Holding Limited	**6,195**	6,195
Accruals	**1,500**	1,500
	32,896	34,208

11. Borrowings

	2013 £'000	2012 £'000
Borrowings		
Bank loan (unsecured) – Senior Debt	**26,908**	28,274
Amounts due to parent undertaking	**6,382**	6,382
Less prepaid bank arrangement fees	**(395)**	(420)
	32,895	34,236

Notes to the financial statements
Year ended 31 December 2013

11. Borrowings (continued)

Borrowings maturity profile

	2013	2012
	£'000	£'000
Within one year or on demand	**1,337**	1,552
Between one and two years	**1,262**	1,337
Between two and five years	**4,319**	3,830
More than five years	**26,372**	27,937
	33,290	34,656
Less prepaid loan arrangement fees	**(395)**	(420)
	32,895	34,236

Interest on the unsecured bank loans is payable at LIBOR plus 1.2%, fixed by means of an interest rate swap.

The subordinated loan notes issued to the immediate parent company RE3 Holding Limited have a final redemption date of 31 March 2031 and bear interest at a fixed rate of 12% per annum.

The amounts due after more that five years are payable in six-monthly installments of varying amounts, with the final amount payable due on 30 September 2029.

Financial instruments not held at fair value

The company has interest rate swaps, the fair value of which at the year end is a £4,302,000 liability (2012: £7,207,000 liability).

12. Provisions for liabilities

	£'000
Deferred taxation	
At 1 January 2013	1,047
Charged to profit and loss account	10
At 31 December 2013	**1,057**

	Provided	
	2013	2012
	£'000	£'000
Deferred tax comprises:		
Accelerated capital allowances	**1,057**	1,047

There was no unprovided deferred tax at 31 December 2013 (2012: £nil).

Notes to the financial statements
Year ended 31 December 2013

13. Called up share capital

	2013 £'000	2012 £'000
Authorised		
10,000 ordinary shares of £1 each	**10**	10
Called up, allotted and fully paid		
10,000 ordinary shares of £1 each	**10**	10

14. Reserves

	Profit and loss account £'000
At 1 January 2013	401
Loss for the financial year	(356)
Dividend paid	(401)
At 31 December 2013	**(356)**

15. Reconciliation of movement in shareholders' (defcit)/funds

	2013 £'000	2012 £'000
(Loss)/profit for the financial year	**(356)**	401
Dividend paid	**(401)**	(1,278)
Net (withdrawals from)/additions to shareholders' funds	**(757)**	(877)
Opening shareholders' funds	**411**	1,288
Closing shareholders' (deficit)/funds	**(346)**	411

During the year ended 31 December 2013, an interim dividend of £401,000 (£40.10 per share) was paid to shareholders (2012: £1,278,000 - £127.80 per share). The final proposed dividend for the year ended 31 December 2013 was £nil (£nil per share) (2012: £401,000 - £40.10 per share).

16. Pension contributions

The Company participates in the defined contribution scheme operated by FCC E UK 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 schemes. Contributions under defined contribution schemes amounted to £13,000 during the year (2012: £9,000).

Notes to the financial statements
Year ended 31 December 2013

17. Related party transactions

The Directors regard all subsidiaries of FCC as related parties. In the ordinary course of business, the Company traded with FCC Environment (UK), 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.

18. 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 parent company and Esther Koplowitz Romero de Juseu to be the ultimate controlling party. Fomento de Construcciones y Contratas, S.A. is the parent company of the largest and smallest group of which the Company is a member and for which group accounts are drawn up. 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.