

**Red Industries Holdings Limited**

Report and Financial Statements

Year Ended

31 December 2013

Company Number 07099708



# **Red Industries Holdings Limited**

## **Report and financial statements for the year ended 31 December 2013**

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### **Directors**

A Share  
P Ratcliffe  
D J Scott  
J M Clewes  
T P A Wilson  
A Clapperton

### **Secretary and registered office**

A Clapperton, Sneyd Hill, Burslem, Stoke on Trent, Staffordshire, ST6 2DZ

### **Company number**

07099708

### **Auditors**

BDO LLP, 125 Colmore Row, Birmingham, B3 3SD

# Red Industries Holdings Limited

## Strategic report for the year ended 31 December 2013

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The directors present their strategic report together with the audited financial statements for the year ended 31 December 2013.

### Principal Activities

The principal activities of the group are the provision of environmental services including the treatment & transfer and disposal of both hazardous and non-hazardous wastes and the provision of parts washers, both across varied industries.

The principal activity of the company is the lease of plant and equipment to its subsidiaries.

### Review of the business and key financial performance indicators

The group's key financial performance indicators are turnover and profit after tax.

The group has performed profitably in a competitive, post-recessionary marketplace that continues to suffer fluctuating manufacturing demand. The turnover for the year was £7,364,176 (2012 £7,963,656) and profit after tax was £198,962 (2012 £428,905).

Continued profitability is expected in 2014 as a broader customer base continues to develop within the main trading arm of the group whilst further profitability is expected from new trading companies & activities.

The group closely monitors its disposal costs, environmental regulations and overhead costs with a continuing cost improvement programme being undertaken to reduce and maintain cost wherever possible.

The group has prepared forecasts detailing their ongoing ability to trade profitably. These forecasts take into account the key business risks which remain the competitive marketplace, the post-recessionary macro economic climate, changing environmental legislation and increasing costs of waste disposal.

The group retains suitably adequate finance facilities, including an agreed overdraft and invoice discounting facility in addition to continuing shareholder support. The directors are not aware of any reason why these might be withdrawn and as a result have adopted the basis of going concern.

### Principal Risks and Uncertainties

### Economic and political climate

Continuing competitive market pressures across the variety of industries spanned by the group, but with particular reference to manufacturing, provide the key commercial risks and uncertainties. Close monitoring of external commercial performance indicators ensure the group is well placed to manage this risk.

In addition, the continuing competitive pressures of the Scottish marketplace, coupled with the economic and political uncertainty present in Scotland prior to the recent referendum have resulted in the group's decision to close the Scottish operation in April 2014. Despite the closure of the Scottish site the group continues to maintain a competitive presence and to trade in Scotland via other group companies.

### Regulatory environment

The principal regulatory risk to the group business during the year has been the ongoing pollution claim brought against the subsidiary company (Red Industries Ltd) by the industry regulatory body, the Environment Agency. The prosecution claim reached its conclusion post year end in May 2014 when the company was found not guilty and completely exonerated on all counts.

The company retains its triple BSI accreditation (BSI 9001, BSI 14001 & BSI 18001) and undergoes extensive audit checks to provide external certification and verification of system robustness.

# Red Industries Holdings Limited

Strategic report  
for the year ended 31 December 2013 (*continued*)

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## Financial Instruments

### *Credit*

Credit risk is managed via an integrated credit control function. Credit checking is carried out using external credit agency services with rigorous credit scoring and credit management systems being implemented within the company.

### *Cash Flow*

Cash forecasts are prepared regularly and monitored closely to cover any foreseeable funding requirements.

### *Liquidity*

The group has adequate funding facilities in place with inter-company support being provided where necessary throughout the group with further shareholder support also available as may be required from time to time.

## Future Developments

The group continues to broaden its portfolio and services offering innovative waste management solutions across a broadening range of industries.

New methods and routes for the sustainable treatment of waste are constantly being analysed and developed within the waste arm of the group. The new service offering of parts washers to industry meanwhile remains on track to early profitability, also providing symbiotic commercial benefits across the group.

## By order of the board

A Clapperton  
Secretary



29.9.14

# Red Industries Holdings Limited

## Report of the directors for the year ended 31 December 2013

The directors present their report together with the audited financial statements for the year ended 31 December 2013.

### Results and dividends

The profit and loss account is set out on page 7 and shows the profit for the year.

Interim dividends of £150 per share were paid to ordinary shareholders during the year. The directors do not recommend the payment of a final dividend.

### Financial instruments

Information regarding financial instruments is set out within the Strategic Report on page 2.

### Directors

The directors of the company during the year and their interest in the ordinary share capital of the company were:

|              | Number of shares    |                   |
|--------------|---------------------|-------------------|
|              | 31 December<br>2013 | 1 January<br>2013 |
| A Share      | 33,368              | 33,368            |
| P Ratcliffe  | 33,368              | 33,368            |
| D J Scott    | 33,264              | 33,264            |
| J M Clewes   | -                   | -                 |
| T P A Wilson | -                   | -                 |
| A Clapperton | -                   | -                 |

### Directors' responsibilities

The directors are responsible for preparing the strategic report, 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 the directors have elected to prepare the group and company financial statements in accordance with United Kingdom 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 group and company and of the profit or loss of the group for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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 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 the financial statements comply with the Companies Act 2006. 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.

# Red Industries Holdings Limited

## Report of the directors for the year ended 31 December 2013 *(continued)*

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### Auditors

All of the current directors have taken all the steps that they ought to have taken to make themselves aware of any information needed by the company's auditors for the purposes of their audit and to establish that the auditors are aware of that information. The directors are not aware of any relevant audit information of which the auditors are unaware.

BDO LLP have expressed their willingness to continue in office and a resolution to re-appoint them will be proposed at the annual general meeting.

### By order of the board

A Clapperton  
Secretary



29.9.14

# **Red Industries Holdings Limited**

## **Independent auditor's report**

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### **To the members of Red Industries Holdings Limited**

We have audited the financial statements of Red Industries Holdings Limited for the year ended 31 December 2013 which comprise the consolidated profit and loss account, the consolidated and company balance sheets, the consolidated cash flow statement, the consolidated statement of total recognised gains and losses and the related notes. 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 auditors**

As explained more fully in the statement of directors' responsibilities, 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 Financial Reporting Council's (FRC's) Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

A description of the scope of an audit of financial statements is provided on the FRC's website at [www.frc.org.uk/auditscopeukprivate](http://www.frc.org.uk/auditscopeukprivate).

### **Opinion on financial statements**

In our opinion the financial statements:

- give a true and fair view of the state of the group's and the parent company's affairs as at 31 December 2013 and of the group's profit 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 other matters prescribed by the Companies Act 2006**

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

# Red Industries Holdings Limited

## Independent auditor's report (*continued*)

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### 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 by the parent company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent company 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.

BDO LLP

Graham Whittaker (*senior statutory auditor*)  
For and on behalf of BDO LLP, statutory auditor  
Birmingham  
United Kingdom

29.9.14

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

# Red Industries Holdings Limited

## Consolidated profit and loss account for the year ended 31 December 2013

|                                                      | Note | 2013<br>£ | 2012<br>£ |
|------------------------------------------------------|------|-----------|-----------|
| <b>Turnover</b>                                      | 2    | 7,364,176 | 7,963,656 |
| Cost of sales                                        |      | 4,906,005 | 5,345,325 |
| <b>Gross profit</b>                                  |      | 2,458,171 | 2,618,331 |
| Administrative expenses                              |      | 2,267,110 | 2,103,010 |
| <b>Group operating profit</b>                        | 3    | 191,061   | 515,321   |
| Other interest receivable and similar income         |      | -         | 26        |
| Interest payable and similar charges                 | 6    | (34,710)  | (56,686)  |
| <b>Profit on ordinary activities before taxation</b> |      | 156,351   | 458,661   |
| Taxation on profit on ordinary activities            | 7    | 42,611    | (29,756)  |
| <b>Profit on ordinary activities after taxation</b>  |      | 198,962   | 428,905   |

All amounts relate to continuing activities.

There is no material difference between historical profit or loss and the result reported.

The notes on pages 12 to 29 form part of these financial statements.

# Red Industries Holdings Limited

## Consolidated statement of total recognised gains and losses for the year ended 31 December 2013

|                                                                    | Note | 2013<br>£      | 2012<br>£      |
|--------------------------------------------------------------------|------|----------------|----------------|
| <b>Consolidated statement of total recognised gains and losses</b> |      |                |                |
| Profit for the financial year                                      |      | <b>198,962</b> | 428,905        |
| Unrealised surplus on revaluation of freehold land                 | 19   | -              | 5,989          |
|                                                                    |      | <hr/>          | <hr/>          |
| <b>Total recognised gains and losses for the financial year</b>    |      | <b>198,962</b> | <b>434,894</b> |
|                                                                    |      | <hr/>          | <hr/>          |

The notes on pages 12 to 29 form part of these financial statements.

# Red Industries Holdings Limited

## Consolidated balance sheet at 31 December 2013

| <i>Company number 07099708</i>                                 | Note | 2013<br>£        | 2013<br>£        | 2012<br>£        | 2012<br>£        |
|----------------------------------------------------------------|------|------------------|------------------|------------------|------------------|
| <b>Fixed assets</b>                                            |      |                  |                  |                  |                  |
| Intangible assets                                              | 10   |                  | 717,573          |                  | 802,886          |
| Tangible assets                                                | 11   |                  | 1,532,159        |                  | 1,606,338        |
|                                                                |      |                  | <u>2,249,732</u> |                  | <u>2,409,224</u> |
| <b>Current assets</b>                                          |      |                  |                  |                  |                  |
| Debtors                                                        | 13   | 1,975,011        |                  | 2,129,547        |                  |
| Cash at bank and in hand                                       |      | 158,833          |                  | 274,181          |                  |
|                                                                |      | <u>2,133,844</u> |                  | <u>2,403,728</u> |                  |
| <b>Creditors: amounts falling due within one year</b>          | 14   | 2,439,652        |                  | 2,892,589        |                  |
|                                                                |      | <u></u>          |                  | <u></u>          |                  |
| <b>Net current liabilities</b>                                 |      |                  | (305,808)        |                  | (488,861)        |
|                                                                |      |                  | <u></u>          |                  | <u></u>          |
| <b>Total assets less current liabilities</b>                   |      |                  | 1,943,924        |                  | 1,920,363        |
| <b>Creditors: amounts falling due after more than one year</b> | 15   | 632,515          |                  | 655,232          |                  |
| <b>Provisions for liabilities</b>                              | 16   | -                |                  | 2,684            |                  |
|                                                                |      | <u></u>          |                  | <u></u>          |                  |
|                                                                |      |                  | 632,515          |                  | 657,916          |
|                                                                |      |                  | <u>1,311,409</u> |                  | <u>1,262,447</u> |
| <b>Capital and reserves</b>                                    |      |                  |                  |                  |                  |
| Called up share capital                                        | 18   |                  | 1,000            |                  | 1,000            |
| Revaluation reserve                                            | 19   |                  | 49,558           |                  | 49,558           |
| Profit and loss account                                        | 19   |                  | 1,260,851        |                  | 1,211,889        |
|                                                                |      |                  | <u>1,311,409</u> |                  | <u>1,262,447</u> |
| <b>Shareholders' funds</b>                                     | 20   |                  | 1,311,409        |                  | 1,262,447        |
|                                                                |      |                  | <u></u>          |                  | <u></u>          |

The financial statements were approved by the board of directors and authorised for issue on 29.9.14

A Clapperton  
Director



The notes on pages 12 to 29 form part of these financial statements.

# Red Industries Holdings Limited

## Company balance sheet at 31 December 2013

| <i>Company number 07099708</i>                                 | Note | 2013<br>£     | 2013<br>£      | 2012<br>£     | 2012<br>£        |
|----------------------------------------------------------------|------|---------------|----------------|---------------|------------------|
| <b>Fixed assets</b>                                            |      |               |                |               |                  |
| Tangible assets                                                | 11   |               | 227,860        |               | 223,359          |
| Fixed asset investments                                        | 12   |               | 508,032        |               | 1,508,031        |
|                                                                |      |               | <u>735,892</u> |               | <u>1,731,390</u> |
| <b>Current assets</b>                                          |      |               |                |               |                  |
| Debtors                                                        | 13   | 47,047        |                | 34,391        |                  |
| Cash at bank and in hand                                       |      | 4,182         |                | 24            |                  |
|                                                                |      | <u>51,229</u> |                | <u>34,415</u> |                  |
| <b>Creditors: amounts falling due within one year</b>          | 14   | 142,083       |                | 180,154       |                  |
|                                                                |      | <u></u>       |                | <u></u>       |                  |
| <b>Net current liabilities</b>                                 |      |               | (90,854)       |               | (145,739)        |
|                                                                |      |               | <u></u>        |               | <u></u>          |
| <b>Total assets less current liabilities</b>                   |      |               | 645,038        |               | 1,585,651        |
| <b>Creditors: amounts falling due after more than one year</b> | 15   | 507,768       |                | 1,509,218     |                  |
| <b>Provisions for liabilities</b>                              | 16   | 10,504        |                | 4,007         |                  |
|                                                                |      | <u></u>       |                | <u></u>       |                  |
|                                                                |      |               | 518,272        |               | 1,513,225        |
|                                                                |      |               | <u>126,766</u> |               | <u>72,426</u>    |
|                                                                |      |               | <u></u>        |               | <u></u>          |
| <b>Capital and reserves</b>                                    |      |               |                |               |                  |
| Called up share capital                                        | 18   |               | 1,000          |               | 1,000            |
| Profit and loss account                                        | 19   |               | 125,766        |               | 71,426           |
|                                                                |      |               | <u></u>        |               | <u></u>          |
| <b>Shareholders' funds</b>                                     | 20   |               | 126,766        |               | 72,426           |
|                                                                |      |               | <u></u>        |               | <u></u>          |

The financial statements were approved by the board of directors and authorised for issue on 29.9.14

A Clapperton  
Director



The notes on pages 12 to 29 form part of these financial statements.

# Red Industries Holdings Limited

## Consolidated cashflow statement for the year ended 31 December 2013

|                                                                              | Note | 2013<br>£ | 2013<br>£ | 2012<br>£ | 2012<br>£ |
|------------------------------------------------------------------------------|------|-----------|-----------|-----------|-----------|
| <b>Net cash inflow from operating activities</b>                             | 24   |           | 208,372   |           | 951,455   |
| <b>Returns on investments and servicing of finance</b>                       |      |           |           |           |           |
| Interest received                                                            |      | -         |           | 26        |           |
| Interest paid: bank loans                                                    |      | (21,493)  |           | (29,112)  |           |
| Interest paid: hire purchase                                                 |      | (13,217)  |           | (27,574)  |           |
|                                                                              |      |           |           |           |           |
| <b>Net cash outflow from returns on investments and servicing of finance</b> |      |           | (34,710)  |           | (56,660)  |
| <b>Taxation</b>                                                              |      |           |           |           |           |
| Corporation tax paid                                                         |      |           | (71,881)  |           | (41,200)  |
| <b>Capital expenditure and financial investment</b>                          |      |           |           |           |           |
| Payments to acquire intangible fixed assets                                  |      | (1,740)   |           | (1,740)   |           |
| Payments to acquire tangible fixed assets                                    |      | (59,560)  |           | (157,866) |           |
| Receipts from sale of tangible fixed assets                                  |      | 3,792     |           | 43,208    |           |
|                                                                              |      |           |           |           |           |
| <b>Net cash outflow from capital expenditure and financial investment</b>    |      |           | (57,508)  |           | (116,398) |
| <b>Dividends paid</b>                                                        |      |           | (150,000) |           | (195,000) |
|                                                                              |      |           |           |           |           |
| <b>Cash (outflow)/inflow before use of financing</b>                         |      |           | (105,727) |           | 542,197   |
| <b>Financing</b>                                                             |      |           |           |           |           |
| Loans repaid                                                                 |      | -         |           | (42,048)  |           |
| Capital element of finance leases repaid                                     |      | (69,007)  |           | (125,377) |           |
|                                                                              |      |           |           |           |           |
| <b>Net cash outflow from financing</b>                                       |      |           | (69,007)  |           | (167,425) |
|                                                                              |      |           |           |           |           |
| <b>(Decrease)/increase in cash</b>                                           | 25   |           | (174,734) |           | 374,772   |

The notes on pages 12 to 29 form part of these financial statements.

# Red Industries Holdings Limited

## Notes forming part of the financial statements for the year ended 31 December 2013

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### 1 Accounting policies

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of freehold land and are in accordance with applicable accounting standards.

The following principal accounting policies have been applied:

#### *Going concern*

The group's business activities, together with factors likely to affect its future development, performance and position are set out in the Strategic Report on page 1.

The current economic outlook remains challenging to moderate, dependant on macro-economic demand factors linked to manufacturing though continued profitability is expected throughout 2014.

The group closely monitors its disposal costs, its environmental regulations and overhead costs with a continuing cost improvement programme being undertaken to reduce and maintain cost wherever possible.

The group meets its day to day working capital requirements through bank overdrafts and invoice discounting facilities. The group has renewed its overdraft facilities until 31 July 2015 and the directors consider that the extension of these facilities will be forthcoming on acceptable terms.

The group's forecasts and projections, taking account of reasonably possible changes in trading performance, show that the group will be able to operate within the levels of its current facilities.

After considering the risks and uncertainties described above, the directors have a reasonable expectation that they have adequate resources to continue in operational existence for the foreseeable future. For these reasons they continue to adopt the going concern basis in preparing the annual report and accounts.

#### *Basis of consolidation*

The consolidated financial statements incorporate the results of Red Industries Holdings Limited and all of its subsidiary undertakings as at 31 December 2013 using the acquisition or merger method of accounting as required. Where the acquisition method is used, the results of subsidiary undertakings are included from the date of acquisition.

#### *Merger accounting*

Where merger accounting is used, the investment is recorded in the company's balance sheet at the nominal value of the shares issued together with the fair value of any additional consideration paid.

In the group financial statements, merged subsidiary undertakings are treated as if they had always been a member of the group. The results of such a subsidiary are included for the whole period in the year it joins the group. The corresponding figures for the previous year include its results for that period, the assets and liabilities at the previous balance sheet date and the shares issued by the company as consideration as if they had always been in issue. Any difference between the nominal value of the shares acquired by the company and those issued by the company to acquire them is taken to reserves.

#### *Turnover*

Turnover represents sales to external customers at invoiced amounts less value added tax.

Income is recognised at the date of receipt of cash from customers.

# Red Industries Holdings Limited

## Notes forming part of the financial statements for the year ended 31 December 2013 (continued)

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### 1 Accounting policies (continued)

#### *Intangible fixed assets*

The directors have considered each constituent component of intangible assets separately to determine the appropriate amortisation in order that the financial statements provide a true and fair view.

Purchased goodwill representing the excess of the purchase price compared with the fair value of net assets acquired is capitalised.

The goodwill arising on the acquisition of subsidiary undertakings is written off evenly over 20 years as in the opinion of the directors this represents the period over which the goodwill is effective.

Intangible fixed assets relating to the capitalisation of IPPC licence costs are amortised over 20 years, being their expected useful lives.

Other licence fees acquired and capitalised are amortised over a period of 10 years.

#### *Land and buildings*

Financial Reporting Standard 15 'Tangible fixed assets' requires fixed assets which are carried at revalued amounts to be shown at their current value at the balance sheet date. To achieve this freehold land is subject to a full valuation every five years with an interim valuation carried out in the third year of this cycle.

The profit or loss on disposal of revalued land is calculated by reference to net book value and any realised revaluation surplus is transferred to the profit and loss account through reserves.

#### *Depreciation*

Depreciation is provided to write off the cost, less estimated residual values, of all tangible fixed assets, except for freehold land, evenly over their expected useful lives. It is calculated at the following rates:

|                                         |                              |
|-----------------------------------------|------------------------------|
| Freehold buildings                      | - 2% - 5% per annum on cost  |
| Leasehold improvements                  | - Over the life of the lease |
| Plant, machinery and motor vehicles     | - 5% - 25% per annum on cost |
| Fixtures, fittings, tools and equipment | - 25% per annum on cost      |

#### *Valuation of investments*

Investments held as fixed assets are stated at cost less any provision for impairment.

#### *Foreign currency*

Foreign currency transactions of individual companies are translated at the rates ruling when they occurred. Foreign currency monetary assets and liabilities are translated at the rates ruling at the balance sheet date. Any differences are taken to the profit and loss account.

#### *Research*

Expenditure on pure and applied research is charged to the profit and loss account in the year in which it is incurred.

# Red Industries Holdings Limited

## Notes forming part of the financial statements for the year ended 31 December 2013 *(continued)*

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### 1 Accounting policies *(continued)*

#### *Deferred taxation*

Deferred tax balances are recognised in respect of all timing differences that have originated but not reversed by the balance sheet date, except that:

- deferred tax is not recognised on timing differences arising on revalued properties unless the group has entered into a binding sale agreement and is not proposing to take advantage of rollover relief; and
- the recognition of deferred tax assets is limited to the extent that the group anticipates making sufficient taxable profits in the future to absorb the reversal of the underlying timing differences.

Deferred tax balances arising from underlying timing differences in respect of tax allowances on industrial buildings are reversed if and when all conditions for retaining those allowances have been met.

Deferred tax balances are not discounted.

#### *Leased assets*

Where assets are financed by leasing agreements that give rights approximating to ownership (finance leases), the assets are treated as if they had been purchased outright. The amount capitalised is the present value of the minimum lease payments payable over the term of the lease. The corresponding leasing commitments are shown as amounts payable to the lessor. Depreciation on the relevant assets is charged to the profit and loss account over the shorter of estimated useful economic life and the period of the lease.

Lease payments are analysed between capital and interest components so that the interest element of the payment is charged to the profit and loss account over the period of the lease and is calculated so that it represents a constant proportion of the balance of capital repayments outstanding. The capital part reduces the amounts payable to the lessor.

All other leases are treated as operating leases. Their annual rentals are charged to the profit and loss account on a straight-line basis over the term of the lease.

#### *Pension costs*

Contributions to the group's defined contribution pension scheme are charged to the profit and loss account in the year in which they become payable.

#### *Share-based payment*

When share options are awarded to employees, the fair value of the options at the date of grant is charged to the income statement over the vesting period. Non-market vesting conditions are taken into account by adjusting the number of equity instruments expected to vest at each balance sheet date so that, ultimately, the cumulative amount recognised over the vesting period is based on the number of options that eventually vest. Market vesting conditions are factored into the fair value of the options granted. As long as all other vesting conditions are satisfied, a charge is made irrespective of whether the market vesting conditions are satisfied. The cumulative expense is not adjusted for failure to achieve a market vesting condition.

Where the terms and conditions of options are modified before they vest, the increase in fair value of the options, measured immediately before and after the modification, is also charged to the income statement over the remaining vesting period.

# Red Industries Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2013 (continued)

## 2 Turnover

Turnover is wholly attributable to the principal activity of the group and arises solely within the United Kingdom.

## 3 Operating profit

|                                                                                         | 2013<br>£         | 2012<br>£         |
|-----------------------------------------------------------------------------------------|-------------------|-------------------|
| This is arrived at after charging:                                                      |                   |                   |
| Depreciation of tangible fixed assets                                                   | 143,064           | 170,594           |
| Amortisation and impairment of positive goodwill                                        | 80,055            | 51,661            |
| Amortisation of other intangible fixed assets                                           | 6,998             | 6,853             |
| Hire of plant and machinery - operating leases                                          | 80,641            | 83,484            |
| Hire of other assets - operating leases                                                 | 168,754           | 153,610           |
| Fees payable to the company's auditor for the auditing of the company's annual accounts | 4,500             | 2,500             |
| Research and development                                                                | 250,889           | 304,287           |
|                                                                                         | <u>          </u> | <u>          </u> |

## 4 Employees

Staff costs (including directors) consist of:

|                       | Group<br>2013<br>£ | Group<br>2012<br>£ |
|-----------------------|--------------------|--------------------|
| Wages and salaries    | 1,731,766          | 1,776,764          |
| Social security costs | 173,578            | 182,402            |
| Other pension costs   | 81,371             | 81,350             |
|                       | <u>          </u>  | <u>          </u>  |
|                       | <u>1,986,715</u>   | <u>2,040,516</u>   |

The average number of employees (including directors) during the year was 64 (2012 - 64).

# Red Industries Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2013 (*continued*)

## 5 Directors' remuneration

|                                                         | 2013<br>£      | 2012<br>£      |
|---------------------------------------------------------|----------------|----------------|
| Directors' emoluments                                   | 424,385        | 369,729        |
| Company contributions to money purchase pension schemes | 63,727         | 63,727         |
|                                                         | <u>488,112</u> | <u>433,456</u> |

There were 5 directors in the group's defined contribution pension scheme during the year (2012 - 5).

The total amount payable to the highest paid director in respect of emoluments was £133,570 (2012 - £132,381). Company pension contributions of £22,908 (2012 - £22,908) were made to a money purchase scheme on his behalf.

## 6 Interest payable and similar charges

|                                            | 2013<br>£     | 2012<br>£     |
|--------------------------------------------|---------------|---------------|
| Bank loans and overdrafts                  | 21,493        | 29,112        |
| Finance leases and hire purchase contracts | 13,217        | 27,574        |
|                                            | <u>34,710</u> | <u>56,686</u> |

# Red Industries Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2013 (*continued*)

## 7 Taxation on profit on ordinary activities

|                                                | 2013<br>£ | 2012<br>£ |
|------------------------------------------------|-----------|-----------|
| <i>UK Corporation tax</i>                      |           |           |
| Current tax on profits of the year             | (22,264)  | 58,637    |
| Adjustment in respect of previous periods      | 1,010     | 13,340    |
|                                                | <hr/>     | <hr/>     |
| Total current tax                              | (21,254)  | 71,977    |
|                                                | <hr/>     | <hr/>     |
| <i>Deferred tax</i>                            |           |           |
| Origination and reversal of timing differences | (21,350)  | (21,917)  |
| Adjustment in respect of previous periods      | (7)       | (20,304)  |
|                                                | <hr/>     | <hr/>     |
| Movement in deferred tax provision             | (21,357)  | (42,221)  |
|                                                | <hr/>     | <hr/>     |
| Taxation on profit on ordinary activities      | (42,611)  | 29,756    |
|                                                | <hr/>     | <hr/>     |

The tax assessed for the year is different to the standard rate of corporation tax in the UK applied to profit before tax. The differences are explained below:

|                                                                                                           | 2013<br>£ | 2012<br>£ |
|-----------------------------------------------------------------------------------------------------------|-----------|-----------|
| Profit on ordinary activities before tax                                                                  | 156,351   | 458,661   |
|                                                                                                           | <hr/>     | <hr/>     |
| Profit on ordinary activities at the standard rate of corporation tax in the UK of 23.25% (2012 - 24.00%) | 36,352    | 110,079   |
| Effect of:                                                                                                |           |           |
| Expenses not deductible for tax purposes                                                                  | 19,299    | 30,248    |
| Depreciation for period in excess/(deficit) of capital allowances                                         | 13,195    | (3,904)   |
| Utilisation of tax losses                                                                                 | (19,991)  | (19,943)  |
| Effect of change in tax rate during the year                                                              | -         | 1,069     |
| Adjustment to tax charge in respect of previous periods                                                   | 1,010     | 13,340    |
| Effect of research and development claim                                                                  | (71,120)  | (86,697)  |
| Losses carried forward                                                                                    | 12,260    | -         |
| Other short term timing differences                                                                       | (12,259)  | 27,785    |
|                                                                                                           | <hr/>     | <hr/>     |
| Current tax (credit)/charge for the year                                                                  | (21,254)  | 71,977    |
|                                                                                                           | <hr/>     | <hr/>     |

### *Factors that may affect future tax charges*

The UK main corporation tax rate was reduced to 23% from 24%, taking effect from 1 April 2013. Two further rate cuts to 21% and finally to 20% are due to come into effect on 1 April 2014 and 1 April 2015 respectively. The reduction to 21% and then 20% was substantively enacted on 2 July 2013.

These rate changes will reduce the company's future current tax charge accordingly.

# Red Industries Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2013 (*continued*)

## 8 Dividends

|                                                | 2013<br>£ | 2012<br>£ |
|------------------------------------------------|-----------|-----------|
| Ordinary shares                                |           |           |
| Interim paid of £1.50 (2012 - £1.95) per share | 150,000   | 195,000   |

## 9 Profit for the financial year

The company has taken advantage of the exemption allowed under section 408 of the Companies Act 2006 and has not presented its own profit and loss account in these financial statements. The group profit for the year includes a profit after tax of £204,340 (2012 - £250,238) which is dealt with in the financial statements of the parent company.

## 10 Intangible fixed assets

### Group

|                       | Goodwill on<br>consolidation<br>£ | Licences<br>£ | Total<br>£ |
|-----------------------|-----------------------------------|---------------|------------|
| <i>Cost</i>           |                                   |               |            |
| At 1 January 2013     | 1,033,228                         | 92,928        | 1,126,156  |
| Additions             | -                                 | 1,740         | 1,740      |
|                       | <hr/>                             | <hr/>         | <hr/>      |
| At 31 December 2013   | 1,033,228                         | 94,668        | 1,127,896  |
|                       | <hr/>                             | <hr/>         | <hr/>      |
| <i>Amortisation</i>   |                                   |               |            |
| At 1 January 2013     | 287,998                           | 35,272        | 323,270    |
| Provided for the year | 51,661                            | 6,998         | 58,659     |
| Impairment adjustment | 28,394                            | -             | 28,394     |
|                       | <hr/>                             | <hr/>         | <hr/>      |
| At 31 December 2013   | 368,053                           | 42,270        | 410,323    |
|                       | <hr/>                             | <hr/>         | <hr/>      |
| <i>Net book value</i> |                                   |               |            |
| At 31 December 2013   | 665,175                           | 52,398        | 717,573    |
|                       | <hr/>                             | <hr/>         | <hr/>      |
| At 31 December 2012   | 745,230                           | 57,656        | 802,886    |
|                       | <hr/>                             | <hr/>         | <hr/>      |

## Red Industries Holdings Limited

Note forming part of the financial statements  
for the year ended 31 December 2013 *(continued)*

### 11 Tangible fixed assets

#### Group

|                          | Freehold land<br>and buildings<br>£ | Leasehold<br>improvements<br>£ | Plant,<br>machinery<br>and motor<br>vehicles<br>£ | Fixtures and<br>fittings<br>£ | Fixtures,<br>fittings, tools<br>and<br>equipment<br>£ | Total<br>£       |
|--------------------------|-------------------------------------|--------------------------------|---------------------------------------------------|-------------------------------|-------------------------------------------------------|------------------|
| <i>Cost or valuation</i> |                                     |                                |                                                   |                               |                                                       |                  |
| At 1 January 2013        | 712,222                             | 642,320                        | 1,297,808                                         | 35,800                        | 154,974                                               | 2,843,124        |
| Additions                | -                                   | 3,269                          | 68,590                                            | -                             | 4,151                                                 | 76,010           |
| Disposals                | -                                   | -                              | (38,100)                                          | -                             | -                                                     | (38,100)         |
| At 31 December 2013      | <u>712,222</u>                      | <u>645,589</u>                 | <u>1,328,298</u>                                  | <u>35,800</u>                 | <u>159,125</u>                                        | <u>2,881,034</u> |
| <i>Depreciation</i>      |                                     |                                |                                                   |                               |                                                       |                  |
| At 1 January 2013        | 55,941                              | 139,787                        | 880,985                                           | 31,171                        | 128,902                                               | 1,236,786        |
| Provided for the year    | 11,810                              | 31,581                         | 89,019                                            | 463                           | 10,191                                                | 143,064          |
| Disposals                | -                                   | -                              | (30,975)                                          | -                             | -                                                     | (30,975)         |
| At 31 December 2013      | <u>67,751</u>                       | <u>171,368</u>                 | <u>939,029</u>                                    | <u>31,634</u>                 | <u>139,093</u>                                        | <u>1,348,875</u> |
| <i>Net book value</i>    |                                     |                                |                                                   |                               |                                                       |                  |
| At 31 December 2013      | <u>644,471</u>                      | <u>474,221</u>                 | <u>389,269</u>                                    | <u>4,166</u>                  | <u>20,032</u>                                         | <u>1,532,159</u> |
| At 31 December 2012      | <u>656,281</u>                      | <u>502,533</u>                 | <u>416,823</u>                                    | <u>4,629</u>                  | <u>26,072</u>                                         | <u>1,606,338</u> |

# Red Industries Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2013 (*continued*)

## 11 Tangible fixed assets (*continued*)

### Company

|                       | Plant,<br>machinery<br>and motor<br>vehicles<br>£ |
|-----------------------|---------------------------------------------------|
| <i>Cost</i>           |                                                   |
| At 1 January 2013     | 425,983                                           |
| Additions             | 34,557                                            |
|                       | <hr/>                                             |
| At 31 December 2013   | <b>460,540</b>                                    |
|                       | <hr/>                                             |
| <i>Depreciation</i>   |                                                   |
| At 1 January 2013     | 202,624                                           |
| Provided for the year | 30,056                                            |
|                       | <hr/>                                             |
| At 31 December 2013   | <b>232,680</b>                                    |
|                       | <hr/>                                             |
| <i>Net book value</i> |                                                   |
| At 31 December 2013   | <b>227,860</b>                                    |
|                       | <hr/>                                             |
| At 31 December 2012   | <b>223,359</b>                                    |
|                       | <hr/>                                             |

Included within freehold land and buildings is £476,000 relating to land which is not depreciated.

The group owns freehold land which is held in the financial statements at valuation.

The freehold property held by Red Industries (Scotland) Limited was revalued on 31 December 2011 by Graham and Sibbald, chartered surveyors, at £200,000.

The freehold land held by Red Tankers Limited was valued as at 31 December 2012 by Carter Jonas, chartered surveyors, at £276,000.

The land was valued on an existing use open market value basis and the valuations were performed in accordance with the guidance notes issued by the Royal Institute of Chartered Surveyors for asset valuations.

The historical cost of freehold land and buildings at 31 December 2012 was £630,507 (2012 - £630,507) and the accumulated depreciation based on historical cost was £67,751 (2012 - £55,941).

The net book value of tangible fixed assets includes an amount of £263,994 (2012 - £266,545) in respect of assets held under finance leases and hire purchase contracts. The related depreciation charge on these assets for the year was £32,002 (2012 - £51,612).

# Red Industries Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2013 (*continued*)

## 12 Fixed asset investments

### Company

|                       | Group<br>undertakings<br>£ |
|-----------------------|----------------------------|
| <i>Cost</i>           |                            |
| At 1 January 2013     | 1,508,031                  |
| Additions             | 1                          |
|                       | <hr/>                      |
| At 31 December 2013   | 1,508,032                  |
|                       | <hr/>                      |
| <i>Provisions</i>     |                            |
| Impairment            | 1,000,000                  |
|                       | <hr/>                      |
| At 31 December 2013   | 1,000,000                  |
|                       | <hr/>                      |
| <i>Net book value</i> |                            |
| At 31 December 2013   | 508,032                    |
|                       | <hr/> <hr/>                |
| At 31 December 2012   | 1,508,031                  |
|                       | <hr/> <hr/>                |

On 15 January 2013 the company acquired the entire share capital of Red Innovations Limited, a newly incorporated subsidiary undertaking.

In April 2014 Red Industries (Scotland) Limited ceased to trade. The carrying value of this investment has been written down in full.

# Red Industries Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2013 (continued)

## 12 Fixed asset investments (continued)

### Subsidiary undertakings

The principal undertakings in which the company's interest at the year end is 20% or more are as follows:

|                                   | Class of share capital held | Proportion of share capital held | Nature of business                               |
|-----------------------------------|-----------------------------|----------------------------------|--------------------------------------------------|
| <i>Subsidiary undertakings</i>    |                             |                                  |                                                  |
| Red Industries Limited            | Ordinary                    | 100%                             | Operation of a chemical waste management station |
| Red Industries (Scotland) Limited | Ordinary                    | 100%                             | Operation of a chemical waste management station |
| Red Tankers Limited               | Ordinary                    | 100%                             | Haulage and transport logistics                  |
| Red Innovations Limited           | Ordinary                    | 100%                             | Collection of hazardous waste                    |
| Linkwaste TS Limited              | Ordinary                    | 100%                             | Dormant                                          |
| Linkwaste Limited                 | Ordinary                    | 100%                             | Dormant                                          |
| Eco Link Waste Management Limited | Ordinary                    | 100%                             | Dormant                                          |

## 13 Debtors

|                                      | Group<br>2013<br>£ | Group<br>2012<br>£ | Company<br>2013<br>£ | Company<br>2012<br>£ |
|--------------------------------------|--------------------|--------------------|----------------------|----------------------|
| Trade debtors                        | 1,638,814          | 1,830,741          | -                    | -                    |
| Amounts owed by group undertakings   | -                  | -                  | 44,199               | 33,491               |
| Corporation tax recoverable          | 23,909             | 22                 | -                    | -                    |
| Other debtors                        | 189,309            | 174,464            | 2,848                | -                    |
| Prepayments and accrued income       | 104,306            | 123,420            | -                    | -                    |
| Amounts owed by related undertakings | -                  | 900                | -                    | 900                  |
| Deferred taxation (see note 16)      | 18,673             | -                  | -                    | -                    |
|                                      | <u>1,975,011</u>   | <u>2,129,547</u>   | <u>47,047</u>        | <u>34,391</u>        |

All amounts shown under debtors fall due for payment within one year.

# Red Industries Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2013 (continued)

## 14 Creditors: amounts falling due within one year

|                                                                | Group<br>2013<br>£ | Group<br>2012<br>£ | Company<br>2013<br>£ | Company<br>2012<br>£ |
|----------------------------------------------------------------|--------------------|--------------------|----------------------|----------------------|
| Bank loans and overdrafts (secured)                            | 556,277            | 496,891            | -                    | -                    |
| Trade creditors                                                | 1,091,996          | 1,465,593          | 7,115                | 6,060                |
| Amounts owed to group undertakings                             | -                  | -                  | 106,070              | 98,975               |
| Corporation tax                                                | -                  | 69,248             | -                    | 7,788                |
| Other taxation and social security                             | 217,486            | 183,947            | -                    | 4,052                |
| Obligations under finance lease and hire<br>purchase contracts | 42,323             | 77,364             | 14,701               | 54,075               |
| Amounts due to related undertakings                            | 154,919            | 107,009            | 8,893                | -                    |
| Directors' loans                                               | -                  | 26,503             | -                    | -                    |
| Other creditors                                                | 3,953              | 4,358              | -                    | -                    |
| Accruals and deferred income                                   | 372,698            | 461,676            | 5,304                | 9,204                |
|                                                                | <u>2,439,652</u>   | <u>2,892,589</u>   | <u>142,083</u>       | <u>180,154</u>       |

The bank overdraft is secured by a fixed and floating charge over the group's assets.

Included within bank loans and overdrafts are amounts of £460,373 (2012 - £367,636) in respect of invoice discounting facilities. These amounts are secured by a fixed charge on all purchased debts, leasehold improvements, plant and equipment of the business.

## 15 Creditors: amounts falling due after more than one year

|                                                                | Group<br>2013<br>£ | Group<br>2012<br>£ | Company<br>2013<br>£ | Company<br>2012<br>£ |
|----------------------------------------------------------------|--------------------|--------------------|----------------------|----------------------|
| Amounts owed to group undertakings                             | -                  | -                  | 500,000              | 1,500,000            |
| Obligations under finance lease and hire<br>purchase contracts | 14,991             | 32,507             | 7,768                | 9,218                |
| Directors' loans                                               | 461,806            | 622,725            | -                    | -                    |
| Amounts due to related undertakings                            | 155,718            | -                  | -                    | -                    |
|                                                                | <u>632,515</u>     | <u>655,232</u>     | <u>507,768</u>       | <u>1,509,218</u>     |

# Red Industries Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2013 (continued)

## 15 Creditors: amounts falling due after more than one year (continued)

Maturity of debt:

| Group                                             | Loans and overdrafts<br>2013<br>£ | Loans and overdrafts<br>2012<br>£ | Finance leases<br>2013<br>£ | Finance leases<br>2012<br>£ |
|---------------------------------------------------|-----------------------------------|-----------------------------------|-----------------------------|-----------------------------|
| In one year or less, or on demand                 | 556,277                           | 496,891                           | 42,323                      | 77,364                      |
| In more than one year but not more than two years | -                                 | -                                 | 14,991                      | 32,507                      |
| Company                                           | Loans and overdrafts<br>2013<br>£ | Loans and overdrafts<br>2012<br>£ | Finance leases<br>2013<br>£ | Finance leases<br>2012<br>£ |
| In one year or less, or on demand                 | -                                 | -                                 | 14,701                      | 54,075                      |
| In more than one year but not more than two years | -                                 | -                                 | 7,768                       | 9,218                       |

Included within directors' loans is an amount of £Nil (2012 - £189,884) which is repayable in monthly instalments of £2,840 with interest charged at base rate plus 4% and is secured against part of the group's freehold land and buildings.

The remaining amounts within directors' loans have no set instalment terms although the directors have confirmed that £461,806 (2012 - £459,344) is not repayable within the next 12 months.

# Red Industries Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2013 (*continued*)

## 16 Provisions for liabilities

### Group

|                                      | Deferred<br>taxation<br>£ |
|--------------------------------------|---------------------------|
| At 1 January 2013                    | 2,684                     |
| Credited to profit and loss account  | (21,357)                  |
|                                      | <hr/>                     |
|                                      | (18,673)                  |
| Transferred to debtors (see note 13) | 18,673                    |
|                                      | <hr/>                     |
| At 31 December 2013                  | -                         |
|                                      | <hr/> <hr/>               |

### Company

|                                    | Deferred<br>taxation<br>£ |
|------------------------------------|---------------------------|
| At 1 January 2013                  | 4,007                     |
| Charged to profit and loss account | 6,497                     |
|                                    | <hr/>                     |
| At 31 December 2013                | 10,504                    |
|                                    | <hr/> <hr/>               |

### Deferred taxation

|                                | Group<br>2013<br>£ | Group<br>2012<br>£ | Company<br>2013<br>£ | Company<br>2012<br>£ |
|--------------------------------|--------------------|--------------------|----------------------|----------------------|
| Accelerated capital allowances | 40,752             | 57,949             | 10,504               | 4,007                |
| Sundry timing differences      | (39,285)           | (55,265)           | -                    | -                    |
|                                | <hr/>              | <hr/>              | <hr/>                | <hr/>                |
|                                | 1,467              | 2,684              | 10,504               | 4,007                |
| Unutilised tax losses          | (20,140)           | -                  | -                    | -                    |
|                                | <hr/>              | <hr/>              | <hr/>                | <hr/>                |
|                                | (18,673)           | 2,684              | 10,504               | 4,007                |
|                                | <hr/> <hr/>        | <hr/> <hr/>        | <hr/> <hr/>          | <hr/> <hr/>          |

# Red Industries Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2013 (*continued*)

## 17 Pensions

The group operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the group in an independently administered fund. The pension charge amounted to £81,371 (2012 - £81,350). Contributions amounting to £Nil (2012 - £Nil) were payable to the fund and are included in creditors.

## 18 Share capital

|                                            | 2013<br>£ | 2012<br>£ |
|--------------------------------------------|-----------|-----------|
| <i>Allotted, called up and fully paid</i>  |           |           |
| 100,000 Ordinary 'A' shares of 1pence each | 1,000     | 1,000     |

As at 31 December 2013 the company had 10,870 (2012 - 10,870) EMI scheme options in existence. There is no charge to the financial statements under FRS 20 as it is immaterial.

## 19 Reserves

### Group

|                     | Revaluation<br>reserve<br>£ | Profit and<br>loss account<br>£ |
|---------------------|-----------------------------|---------------------------------|
| At 1 January 2013   | 49,558                      | 1,211,889                       |
| Profit for the year | -                           | 198,962                         |
| Dividends           | -                           | (150,000)                       |
| At 31 December 2013 | 49,558                      | 1,260,851                       |

### Company

|                     | Profit and<br>loss account<br>£ |
|---------------------|---------------------------------|
| At 1 January 2013   | 71,426                          |
| Profit for the year | 204,340                         |
| Dividends           | (150,000)                       |
| At 31 December 2013 | 125,766                         |

# Red Industries Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2013 (continued)

## 20 Reconciliation of movements in shareholders' funds

|                                                                   | Group<br>2013<br>£ | Group<br>2012<br>£ | Company<br>2013<br>£ | Company<br>2012<br>£ |
|-------------------------------------------------------------------|--------------------|--------------------|----------------------|----------------------|
| Profit for the year                                               | 198,962            | 428,905            | 204,340              | 250,238              |
| Dividends                                                         | (150,000)          | (195,000)          | (150,000)            | (195,000)            |
|                                                                   | <u>48,962</u>      | <u>233,905</u>     | <u>54,340</u>        | <u>55,238</u>        |
| Other net recognised gains and losses<br>relating to the year     |                    |                    |                      |                      |
| - Unrealised surplus/(deficit) on revaluation<br>of freehold land | -                  | 5,989              | -                    | -                    |
|                                                                   | <u>48,962</u>      | <u>239,894</u>     | <u>54,340</u>        | <u>55,238</u>        |
| Net additions to shareholders' funds                              | 48,962             | 239,894            | 54,340               | 55,238               |
| Opening shareholders' funds                                       | 1,262,447          | 1,022,553          | 72,426               | 17,188               |
|                                                                   | <u>1,311,409</u>   | <u>1,262,447</u>   | <u>126,766</u>       | <u>72,426</u>        |
| Closing shareholders' funds                                       | 1,311,409          | 1,262,447          | 126,766              | 72,426               |

## 21 Contingent liabilities

The company is party to a cross guarantee securing the invoice discounting facility borrowings of its subsidiary undertakings, Red Industries Limited and Red Industries (Scotland) Limited. At 31 December 2013 the net borrowings amounted to £460,373 (2012 - £367,636).

## 22 Commitments under operating leases

The group had annual commitments under non-cancellable operating leases as set out below:

|                                | Land and<br>buildings<br>2013<br>£ | Other<br>2013<br>£ | Land and<br>buildings<br>2012<br>£ | Other<br>2012<br>£ |
|--------------------------------|------------------------------------|--------------------|------------------------------------|--------------------|
| Operating leases which expire: |                                    |                    |                                    |                    |
| Within one year                | -                                  | 13,452             | -                                  | 24,841             |
| In two to five years           | 160,000                            | 38,826             | 143,000                            | 77,152             |
| After five years               | -                                  | 1,712              | -                                  | 1,712              |
|                                | <u>160,000</u>                     | <u>53,990</u>      | <u>143,000</u>                     | <u>103,705</u>     |

The company had no operating lease commitments.

# Red Industries Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2013 (continued)

## 23 Related party disclosures

### Controlling parties

The company is under the joint control of A Share, D Scott and P Ratcliffe.

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 'Related party disclosures' not to disclose transactions with its wholly owned subsidiaries.

The group leases one of its properties from a company under the control of A share and P Ratcliffe, Share Properties Limited. The lease cost in the year was £160,000 (2012 - £143,000), the amount due to Share Properties Limited at the year end was £310,637 (2012 - £107,009) and the amount owed by Share Properties Limited was £Nil (2012 - £900).

Mr A Share has provided a personal guarantee up to a maximum of £80,000 to secure part of the group's bank borrowings, see note 14 for details.

During the year the following directors held loan accounts with the company:

|                      | Interest paid<br>to related<br>party | Amounts<br>outstanding<br>at 31<br>December<br>2012 |
|----------------------|--------------------------------------|-----------------------------------------------------|
| <b>Related party</b> |                                      |                                                     |
| A Share              | -                                    | 405,783                                             |
| P Ratcliffe          | 5,732                                | -                                                   |
| D Scott              | -                                    | 52,523                                              |
| A Clapperton         | -                                    | 3,500                                               |
|                      | <hr/>                                | <hr/>                                               |
| <b>2012</b>          |                                      |                                                     |
| A Share              | -                                    | 452,749                                             |
| P Ratcliffe          | 9,139                                | 189,884                                             |
| D Scott              | -                                    | 3,094                                               |
| A Clapperton         | -                                    | 3,500                                               |
|                      | <hr/>                                | <hr/>                                               |

## 24 Reconciliation of operating profit to net cash inflow from operating activities

|                                                | 2013<br>£ | 2012<br>£ |
|------------------------------------------------|-----------|-----------|
| Operating profit                               | 191,061   | 515,321   |
| Amortisation of intangible fixed assets        | 87,053    | 58,514    |
| Depreciation of tangible fixed assets          | 143,064   | 170,594   |
| Loss/(profit) on sale of tangible fixed assets | 3,333     | (24,681)  |
| Decrease in debtors                            | 197,096   | 249,054   |
| (Decrease)/increase in creditors               | (413,235) | 2,664     |
| Revaluation of freehold land                   | -         | (20,011)  |
|                                                | <hr/>     | <hr/>     |
| Net cash inflow from operating activities      | 208,372   | 951,455   |
|                                                | <hr/>     | <hr/>     |

# Red Industries Holdings Limited

Notes forming part of the financial statements  
for the year ended 31 December 2013 (*continued*)

## 25 Reconciliation of net cash flow to movement in net debt

|                                                | 2013<br>£ | 2012<br>£ |
|------------------------------------------------|-----------|-----------|
| (Decrease)/increase in cash                    | (174,734) | 374,772   |
| Cash inflow from changes in debt               | 69,007    | 167,425   |
| Movement in net debt resulting from cash flows | (105,727) | 542,197   |
| Inception of finance leases                    | (16,450)  | -         |
| Movement in net debt                           | (122,177) | 542,197   |
| Opening net debt                               | (332,581) | (874,778) |
| Closing net debt                               | (454,758) | (332,581) |

## 26 Analysis of net debt

|                          | At 1 January<br>2013<br>£ | Cash flow<br>£ | Other non-<br>cash items<br>£ | At 31<br>December<br>2013<br>£ |
|--------------------------|---------------------------|----------------|-------------------------------|--------------------------------|
| Cash at bank and in hand | 274,181                   | (115,348)      | -                             | 158,833                        |
| Bank overdrafts          | (496,891)                 | (59,386)       | -                             | (556,277)                      |
|                          |                           | (174,734)      |                               |                                |
| Finance leases           | (109,871)                 | 69,007         | (16,450)                      | (57,314)                       |
|                          |                           | 69,007         |                               |                                |
| Total                    | (332,581)                 | (105,727)      | (16,450)                      | (454,758)                      |

Bank overdrafts include £460,373 (2012 - £367,636) in respect of invoice discounting facilities.

## 27 Post balance sheet events

In April 2014 the company's subsidiary undertaking, Red Industries (Scotland) Limited closed its operations and ceased to trade. Assets and liabilities will be settled at their book values.