

**WASTE RECYCLING ENVIRONMENTAL
LIMITED**

(A company limited by guarantee)

Report and Financial Statements

31 December 2000

**Deloitte & Touche
Leda House
Station Road
Cambridge
CB1 2RN**

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REPORT AND FINANCIAL STATEMENTS 2000

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REPORT AND FINANCIAL STATEMENTS 2000

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J R Marsh (Chairman)
M D Fulcher
J Colby Clarke
M Singh
J Joyce
R S Tomlinson
M J Snell
D Wheeler
R Wilson
G Carlile
T H Butler

SECRETARY

T C Fensom

REGISTERED OFFICE

Manor Farm
Bridgham
Norwich
Norfolk NR16 2RX

BANKERS

Lloyds TSB Bank Plc
41 Prince of Wales Road
Norwich
Norfolk NR1 1BL

SOLICITORS

Cunningham, John & Co
Fairstead House
7 Bury Road
Thetford
Norfolk IP24 3PL

GOVERNMENT REGULATORY BODY

ENTRUST (The Regulator of Environmental Bodies under the Landfill Tax Regulation)
Acre House
2 Town Square
Sale
Cheshire M33 7WZ

AUDITORS

Deloitte & Touche
Chartered Accountants
Leda House
Station Road
Cambridge CB1 2RN

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2000.

ACTIVITY

The principal activity of the company is financing environmental projects from income received from landfill tax credits.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

Landfill Tax Credit income increased from £7.2m to £9.1m during the year ended 31 December 2000 and is forecast to reach approximately £16m in the current year.

Optimising the amount allocated to grants is the key objective and therefore cost containment is also important. In 1999 the cost to income ratio was 5.74% and this increased to 7.16% in 2000. Keeping costs to within 7% of gross income is feasible during the current year without undermining the service we give to grant applicants and our effectiveness in managing the projects we are funding.

As the status of Global Environmental Community Trust Limited and other projects has now been finally resolved, the 1999 figures have been restated.

The directors are satisfied with these results and are confident that the company will be able to continue its development.

The Government has intimated that 65% of all Landfill Tax Credits should be allocated to projects in Category C/CC - waste minimisation and waste recycling pilot schemes. Further details on what the Government requires may be forthcoming in the November 2001 budget statement. This will reduce the numbers of community and conservation projects and necessitate a strategic review of our operations and staffing levels, which are mainly structured to deal with community and conservation projects.

DIRECTORS AND THEIR INTERESTS

The following directors were members of the company and as such had given guarantees not exceeding one pound whilst they are members of the company and for one year after ceasing to be a member:

J Colby Clarke	
J R Marsh	
D R A Sheppard	(resigned 31 December 2000)
M Singh	
M D Fulcher	

The following directors are not members of the company:

Dr M R Bignall	(resigned 11 October 2000)
M G Doughty	(resigned 15 March 2000)
J Joyce	
R S Tomlinson	
M J Snell	
T H Butler	(appointed 23 May 2000)
D Wheeler	(appointed 15 March 2001)
R Wilson	(appointed 27 January 2000)
G Carlile	(appointed 23 May 2000)

COMPANY STATUS

The company is limited by guarantee.

DIRECTORS' REPORT (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial period and of the surplus or deficit of the company for that period. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company and to enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

AUDITORS

Deloitte & Touche have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

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



Secretary 4 September 2001



WASTE RECYCLING ENVIRONMENTAL LIMITED
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AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 12 which have been prepared under the accounting policies set out on page 8.

Respective responsibilities of directors and auditors

As described on page 3 the company's directors are responsible for the preparation of financial statements, which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.

Basis of opinion

We conducted our audit in accordance with United Kingdom auditing standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 December 2000 and of its surplus for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche

Chartered Accountants and
Registered Auditors

10 September 2001

INCOME AND EXPENDITURE ACCOUNT
Year ended 31 December 2000

	Note	2000 £	1999 as restated £
TURNOVER		9,146,561	7,199,491
Other operating income	3	-	450
		<u>9,146,561</u>	<u>7,199,941</u>
Staff costs	2	306,554	139,126
Depreciation	7	49,659	31,703
Other operating charges			
Grants committed	8,441,478	5,373,419	
ENTRUST levy	186,993	132,058	
Others	298,744	242,288	
		<u>8,927,215</u>	<u>5,747,765</u>
		<u>9,283,428</u>	<u>5,918,594</u>
OPERATING (DEFICIT)/SURPLUS	4	(136,867)	1,281,347
Interest receivable	5	458,013	202,355
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		321,146	1,483,702
Tax on surplus on ordinary activities	6	(11,603)	(16,674)
RETAINED SURPLUS FOR THE FINANCIAL YEAR		309,543	1,467,028
Retained surplus brought forward as previously reported	3,096,986		38,755
Prior period adjustment	16	(1,293,726)	297,477
Retained surplus brought forward as restated		<u>1,803,260</u>	<u>336,232</u>
Retained surplus carried forward		<u>2,112,803</u>	<u>1,803,260</u>

Turnover and operating (deficit)/surplus derive from continuing activities.

There are no recognised gains and losses or movements in shareholders' funds other than the surplus for the financial year and preceding financial year. Accordingly no statement of total recognised gains and losses or movements in shareholders' funds are provided.

WASTE RECYCLING ENVIRONMENTAL LIMITED
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**Deloitte
& Touche**

BALANCE SHEET
31 December 2000

	Note	2000 £	1999 as restated £
FIXED ASSETS			
Tangible assets	7	107,810	84,175
CURRENT ASSETS			
Debtors	8	2,182,030	1,553,763
Cash on deposit		8,500,000	6,759,932
Cash at bank and in hand		44,923	478,802
		10,726,953	8,792,497
CREDITORS: amounts falling due within one year	9	(8,721,960)	(7,073,412)
NET CURRENT ASSETS		2,004,993	1,719,085
TOTAL ASSETS LESS CURRENT LIABILITIES		2,112,803	1,803,260
CAPITAL AND RESERVES	10		
Income and expenditure account		2,112,803	1,803,260

These financial statements were approved by the Board of Directors on *4 September 2001*
Signed on behalf of the Board of Directors

John I am in
m. J. Liden.

CASH FLOW STATEMENT
Year ended 31 December 2000

	Note	2000 £	1999 as restated £
Net cash inflow from operating activities	11	972,010	5,173,951
Returns on investments and servicing of finance	12	424,747	202,355
Taxation	12	(16,674)	(10,302)
Capital expenditure and financial investment	12	(73,894)	(87,989)
Management of liquid resources	12	(1,740,068)	(6,759,932)
Decrease in cash in the year		<u>(433,879)</u>	<u>(1,481,917)</u>
Reconciliation of net cash flow to movement in net funds	13		
Decrease in cash in the year		(433,879)	(1,481,917)
Cash outflow from increase in liquid resources		<u>1,740,068</u>	<u>6,759,932</u>
Change in net funds resulting from cash flows		1,306,189	5,278,015
Net funds brought forward		<u>7,238,734</u>	<u>1,960,719</u>
Net funds carried forward		<u>8,544,923</u>	<u>7,238,734</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

1. ACCOUNTING POLICIES

The financial statements are prepared in accordance with applicable accounting standards. The particular accounting policies adopted are described below.

Accounting convention

The financial statements are prepared under the historical cost convention.

Turnover

All turnover is accounted for on a receivable basis and represents landfill tax credits from waste management businesses.

Any surpluses which may arise are a result of timing differences between the accrued grant commitments and the dates that the landfill tax credits are receivable.

Expenditure

Expenditure is accounted for on an accruals basis. Grants are accrued upon the establishment of a commitment to a project via approval of the Board of Directors.

Tangible fixed assets

Depreciation is provided from the date the assets are brought into use on the cost in equal annual instalments, with a full year's charge in the period of acquisition and none in the period of disposal, over the estimated useful lives of the assets. The depreciation rates are as follows:

Computer equipment	3 years
Furniture, fixtures, fittings and equipment	5 years
Motor vehicles	4 years

Operating leases

Operating lease rentals are charged to the profit and loss account in equal annual amounts over the lease term.

Pension costs

The company contributes to a money purchase pension scheme on behalf of an individual employee. Contributions to the scheme are charged to the profit and loss account as they are made.

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES

Directors' emoluments

Consultancy fees of £25,692 (1999 - £35,000) were paid by Waste Recycling Environmental Limited to John Marsh & Associates (management partnership of Chairman).

Consultancy fees of £9,921 (1999 - nil) were paid by Waste Recycling Environmental Limited to Westley Consultants (partnership of M D Fulcher).

	2000 £	1999 £
Emoluments (excluding pension contributions)	69,435	66,807
Contributions to defined contribution pension schemes	4,750	3,167
	<u>74,185</u>	<u>69,974</u>
	No	No
Number of directors in defined contribution pension schemes	<u>1</u>	<u>1</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	2000	1999
	No	No
Average number of persons employed (including directors)		
Administration	16	11
	<u>16</u>	<u>11</u>
	£	£
Staff costs during the year (including directors)		
Wages and salaries	272,901	125,810
Social security costs	27,753	10,149
Pension costs	5,900	3,167
	<u>306,554</u>	<u>139,126</u>

3. OTHER OPERATING INCOME

Other operating income relates to amounts received from other Environmental Bodies.

4. OPERATING (DEFICIT)/SURPLUS

Operating (deficit)/surplus is after charging:

	2000	1999
	£	£
Depreciation - owned assets	49,659	31,703
Rentals under operating leases	15,000	15,000
Audit fees	5,700	3,500
	<u>70,359</u>	<u>50,203</u>

5. INTEREST RECEIVABLE

	2000	1999
	£	£
Interest receivable on bank deposits	458,013	202,355
	<u>458,013</u>	<u>202,355</u>

6. TAX ON SURPLUS ON ORDINARY ACTIVITIES

	2000	1999
	£	£
United Kingdom corporation tax at 20% (1999 - 20%) based on interest receivable for the year	11,603	16,674
	<u>11,603</u>	<u>16,674</u>

The tax charge relates to interest receivable. There is no tax charge on the surplus for the year being derived from the non trading nature of the activities of the company.

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

7. TANGIBLE FIXED ASSETS

	Motor vehicles £	Computer equipment £	Furniture, fixtures, fittings and equipment £	Total £
Cost				
At 1 January 2000	74,155	22,312	28,633	125,100
Additions in the year	46,780	17,538	13,576	77,894
Disposals in the year	(9,200)	-	-	(9,200)
At 31 December 2000	111,735	39,850	42,209	193,794
Depreciation				
At 1 January 2000	23,339	9,536	8,050	40,925
Charge for the year	27,934	13,283	8,442	49,659
Eliminated on disposals	(4,600)	-	-	(4,600)
At 31 December 2000	46,673	22,819	16,492	85,984
Net book value				
At 31 December 2000	65,062	17,031	25,717	107,810
At 31 December 1999	50,816	12,776	20,583	84,175

8. DEBTORS

	2000 £	1999 £
Trade debtors	2,053,209	1,465,971
Prepayments	7,763	-
Accrued income	121,058	87,792
	<u>2,182,030</u>	<u>1,553,763</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2000 £	1999 as restated £
Amounts owed to Global Environmental Community Trust Limited	341,206	-
Accruals		
- Grants agreed by ENTRUST/the Board but not paid	8,270,319	6,979,073
- Other	88,870	77,665
Corporation tax	11,603	16,674
Other taxation and social security	9,962	-
	<u>8,721,960</u>	<u>7,073,412</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

10. CAPITAL AND RESERVES

The company is limited by guarantee and has no share capital. Every member undertakes to contribute such amounts as may be required (not exceeding £1) to the company's assets if it should be wound up while they are a member or within one year after they cease to be a member. There were 5 members during the year ended 31 December 2000 (1999 - 10).

The reserves are not attributable to members as the company is prevented by its Memorandum from paying dividends, bonuses or other distributions to the members of the company.

11. RECONCILIATION OF OPERATING (DEFICIT)/SURPLUS TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2000 £	1999 as restated £
Operating (deficit)/surplus	(136,867)	1,281,347
Depreciation	49,659	31,703
Loss on disposal of fixed assets	600	-
Increase in debtors	(595,001)	(1,393,743)
Increase in creditors	1,653,619	5,254,644
Net cash inflow from operating activities	<u>972,010</u>	<u>5,173,951</u>

12. ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW FORECAST

	2000 £	1999 £
Returns on investments and servicing of finance		
Interest received	<u>424,747</u>	<u>202,355</u>
Taxation		
UK corporation tax paid	<u>(16,674)</u>	<u>(10,302)</u>
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(77,894)	(87,989)
Receipts from sale of fixed assets	4,000	-
	<u>(73,894)</u>	<u>(87,989)</u>
Management of liquid resources		
Increase in treasury deposits	<u>(1,740,068)</u>	<u>(6,759,932)</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2000

13. ANALYSIS OF NET FUNDS

	1999 as restated £	Cash flow £	2000 £
Cash at bank and in hand	478,802	(433,879)	44,923
Short term deposits	6,759,932	1,740,068	8,500,000
	<u>7,238,734</u>	<u>1,306,189</u>	<u>8,544,923</u>

14. OPERATING LEASE COMMITMENTS

At 31 December 2000 the company was committed to making the following payments during the next year in respect of operating leases.

	Buildings	
	2000 £	1999 £
Leases which expire:		
Within 2 to 5 years	<u>25,000</u>	<u>15,000</u>

15. CONTROLLING INTEREST

The company is jointly controlled by the directors and members listed on page 2.

16. RESTATEMENT OF COMPARATIVES

The prior period results have been adjusted to disclose additional liabilities which were not accounted for in the prior year and an income tax correction.

The figure is comprised as follows:

	£
Additional committed grants	1,321,126
Income tax incorrectly accrued	<u>(27,600)</u>
	<u>1,293,726</u>

These adjustments have been reflected through the other operating charges in the income and expenditure account for 1999. No amounts related to earlier years.

ADDITIONAL INFORMATION

The additional information on page 14 has been prepared from the accounting records of the company. While it does not form part of the statutory financial statements, it should be read in conjunction with them and the auditors' report thereon.