

**WASTE RECYCLING ENVIRONMENTAL
LIMITED**

(A company limited by guarantee)

Report and Financial Statements

31 December 2001

Deloitte & Touche
Leda House
Station Road
Cambridge
CB1 2RN

(- 23/04/02)
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REPORT AND FINANCIAL STATEMENTS 2001

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REPORT AND FINANCIAL STATEMENTS 2001

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	Barclays Bank plc
41 Prince of Wales Road	34 Market Place
Norwich	East Dereham
Norfolk NR1 1BL	Norfolk NR19 2AS

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 2001.

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 substantially again during 2001 from £9.1m to £20.6m and is forecast to increase further in 2002 to £25m.

Despite this large increase in turnover, the company has succeeded in containing costs, reducing the annual cost to income ratio to 3.98% from 7.16% without undermining the ability to maintain high quality project management and service to applicants. The company is committed to maximising funds available for grants and although this ratio is likely to rise in 2002, every effort will be made for this to be held below 5%.

During the year the company expanded its geographical operations into ten further counties. Because of the time taken to set up the infrastructure to deal with these, it was not until the second half of the year that these counties became operational. A consequence of this has been the substantial increase in uncommitted reserves at the end of the year, which relates mainly to the new areas. So far in 2002 £2.70m has already been committed in these counties.

The Government has stated that 65% of all Landfill Tax Credits should be allocated to projects in Category C/CC – waste minimisation and waste recycling pilot schemes. In response to this the company has budgeted in 2002 for 30% of its available income to be devoted to national projects in this category and has already committed £7.66m towards this. In addition each county has been asked to apply at least 20% of their own budgets to this area and so far £2.71m has been allocated by them. The company is still committed to community and conservation projects for which it has developed an enviable ability.

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

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

M Singh (resigned as a member 4 September 2001, remains a director)

M D Fulcher

D Wheeler (appointed as a director 15 March 2001, appointed as a member 4 September 2001)

The following directors are not members of the company:

J Joyce

R S Tomlinson

M J Snell

T H Butler

R Wilson

G Carlile

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



Director

11 JUNE 2002



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
WASTE RECYCLING ENVIRONMENTAL LIMITED
(A company limited by guarantee)**

We have audited the financial statements of Waste Recycling Environmental Limited for the year ended 31 December 2001 which comprise the income and expenditure account, the balance sheet, the cash flow statement and the related notes 1 to 17. These financial statements have been prepared under the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities, the company's directors are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report if, in our opinion, the directors' report is not consistent with the financial statements, if the company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions with the company is not disclosed.

We read the directors' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit 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 2001 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

21 JUNE 2002

INCOME AND EXPENDITURE ACCOUNT
Year ended 31 December 2001

	Note	£	2001 £	£	2000 £
TURNOVER			20,624,942		9,146,561
Other operating income	3		127,533		-
			<u>20,752,475</u>		<u>9,146,561</u>
Staff costs	2		406,000		306,554
Depreciation	7		66,651		49,659
Other operating charges					
Grants committed		14,594,779		8,441,478	
ENTRUST levy		412,499		186,993	
Others		346,128		298,744	
			<u>15,353,406</u>		<u>8,927,215</u>
			<u>15,826,057</u>		<u>9,283,428</u>
OPERATING SURPLUS/(DEFICIT)	4		4,926,418		(136,867)
Interest receivable	5		628,037		458,013
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION			5,554,455		321,146
Tax on surplus on ordinary activities	6		(5,058)		(11,603)
RETAINED SURPLUS FOR THE FINANCIAL YEAR			5,549,397		309,543
Retained surplus brought forward			2,112,803		1,803,260
Retained surplus carried forward			<u>7,662,200</u>		<u>2,112,803</u>

Turnover and operating surplus/(deficit) 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
(A company limited by guarantee)

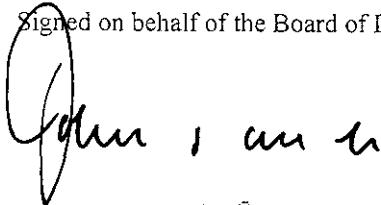
**Deloitte
& Touche**

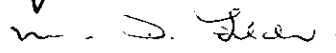
BALANCE SHEET
31 December 2001

	Note	2001 £	2000 £
FIXED ASSETS			
Tangible assets	7	129,023	107,810
CURRENT ASSETS			
Debtors	8	5,620,239	2,182,030
Cash on deposit		17,384,456	8,500,000
Cash at bank and in hand		-	44,923
		23,004,695	10,726,953
CREDITORS: amounts falling due within one year	9	(15,471,518)	(8,721,960)
NET CURRENT ASSETS		7,533,177	2,004,993
TOTAL ASSETS LESS CURRENT LIABILITIES		7,662,200	2,112,803
CAPITAL AND RESERVES			
Income and expenditure account	10	7,662,200	2,112,803

These financial statements were approved by the Board of Directors on 11 June 2002.

Signed on behalf of the Board of Directors





11 JUNE 2002

CASH FLOW STATEMENT
Year ended 31 December 2001

	Note	2001 £	2000 £
Net cash inflow from operating activities	11	8,314,336	972,010
Returns on investments and servicing of finance	12	548,384	424,747
Taxation	12	(11,603)	(16,674)
Capital expenditure and financial investment	12	(90,245)	(73,894)
Management of liquid resources	12	(8,884,456)	(1,740,068)
Decrease in cash in the year		<u>(123,584)</u>	<u>(433,879)</u>
Reconciliation of net cash flow to movement in net funds	13		
Decrease in cash in the year		(123,584)	(433,879)
Cash outflow from increase in liquid resources		<u>8,884,456</u>	<u>1,740,068</u>
Change in net funds resulting from cash flows		8,760,872	1,306,189
Net funds brought forward		<u>8,544,923</u>	<u>7,238,734</u>
Net funds carried forward		<u>17,305,795</u>	<u>8,544,923</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

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 £8,750 (2000 - £25,692) were paid by Waste Recycling Environmental Limited to John Marsh & Associates (management partnership of Chairman).

Consultancy fees of £8,979 (2000 - £9,921) were paid by Waste Recycling Environmental Limited to Westley Consultants (partnership of M D Fulcher).

	2001 £	2000 £
Emoluments (excluding pension contributions)	42,577	69,435
Contributions to defined contribution pension schemes	971	4,750
	<u>43,548</u>	<u>74,185</u>
	No	No
Number of directors in defined contribution pension schemes	1	1

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	2001	2000
	No	No
Average number of persons employed (including directors)		
Administration	22	16
	<u>22</u>	<u>16</u>
	£	£
Staff costs during the year (including directors)		
Wages and salaries	362,199	272,901
Social security costs	37,410	27,753
Pension costs	6,391	5,900
	<u>406,000</u>	<u>306,554</u>

3. OTHER OPERATING INCOME

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

4. OPERATING SURPLUS/(DEFICIT)

Operating surplus/(deficit) is after charging:

	2001	2000
	£	£
Depreciation - owned assets	66,651	49,659
Rentals under operating leases	25,000	15,000
Audit fees	5,781	5,700
Loss on disposal of fixed assets	2,381	600
	<u>99,813</u>	<u>70,959</u>

5. INTEREST RECEIVABLE

	2001	2000
	£	£
Interest receivable on bank deposits	628,037	458,013
	<u>628,037</u>	<u>458,013</u>

6. TAX ON SURPLUS ON ORDINARY ACTIVITIES

	2001	2000
	£	£
United Kingdom corporation tax at 20% (2000 - 20%) based on interest receivable for the year	5,058	11,603
	<u>5,058</u>	<u>11,603</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 2001

7. TANGIBLE FIXED ASSETS

	Motor vehicles £	Computer equipment £	Furniture, fixtures, fittings and equipment £	Total £
Cost				
At 1 January 2001	111,735	39,850	42,209	193,794
Additions in the year	64,935	21,759	16,308	103,002
Disposals in the year	(23,670)	(3,490)	(3,349)	(30,509)
At 31 December 2001	153,000	58,119	55,168	266,287
Depreciation				
At 1 January 2001	46,673	22,819	16,492	85,984
Charge for the year	38,250	17,639	10,762	66,651
Eliminated on disposals	(10,918)	(2,444)	(2,009)	(15,371)
At 31 December 2001	74,005	38,014	25,245	137,264
Net book value				
At 31 December 2001	78,995	20,105	29,923	129,023
At 31 December 2000	65,062	17,031	25,717	107,810

8. DEBTORS

	2001 £	2000 £
Trade debtors	5,406,692	2,053,209
Other debtors	3,250	-
Prepayments	9,586	7,763
Accrued income	200,711	121,058
	5,620,239	2,182,030

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2001 £	2000 £
Bank overdraft (i)	78,661	-
Amounts owed to Global Environmental Community Trust Limited	34,117	341,206
Accruals		
- Grants agreed by ENTRUST/the Board but not paid	14,858,242	8,270,319
- Amounts owed to Essex Environmental Trust	336,105	-
- Other	146,404	88,870
Corporation tax	5,058	11,603
Other taxation and social security	12,931	9,962
	15,471,518	8,721,960

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR (continued)

- i. The preparation of these accounts on the accruals basis results in an overdraft being shown here which is attributable to unpresented cheques and does not exist in cash terms at the bank.

The company does not have an overdraft facility with the bank.

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 2001 (2000 - 5).

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 SURPLUS/(DEFICIT) TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	2001 £	2000 £
Operating surplus/(deficit)	4,926,418	(136,867)
Depreciation	66,651	49,659
Loss on disposal of fixed assets	2,381	600
Increase in debtors	(3,358,556)	(595,001)
Increase in creditors	6,677,442	1,653,619
	<u>8,314,336</u>	<u>972,010</u>
Net cash inflow from operating activities	<u>8,314,336</u>	<u>972,010</u>

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

	2001 £	2000 £
Returns on investments and servicing of finance		
Interest received	548,384	424,747
	<u>548,384</u>	<u>424,747</u>
Taxation		
UK corporation tax paid	(11,603)	(16,674)
	<u>(11,603)</u>	<u>(16,674)</u>
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(103,002)	(77,894)
Receipts from sale of fixed assets	12,757	4,000
	<u>(90,245)</u>	<u>(73,894)</u>
Management of liquid resources		
Increase in treasury deposits	(8,884,456)	(1,740,068)
	<u>(8,884,456)</u>	<u>(1,740,068)</u>

NOTES TO THE ACCOUNTS
Year ended 31 December 2001

13. ANALYSIS OF NET FUNDS

	2000 £	Cash flow £	2001 £
Cash at bank and in hand	44,923	(44,923)	-
Bank overdraft	-	(78,661)	(78,661)
		<u>(123,584)</u>	
Short term deposits	8,500,000	8,884,456	17,384,456
	<u>8,544,923</u>	<u>8,760,872</u>	<u>17,305,795</u>

14. OPERATING LEASE COMMITMENTS

At 31 December 2001 the company was committed to making the following payments during the next year in respect of operating leases.

	Buildings	
	2001 £	2000 £
Leases which expire:		
Within 2 to 5 years	<u>25,000</u>	<u>25,000</u>

15. CONTROLLING INTEREST

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

16. CONTINGENT LIABILITY

As at 31 December 2001 the company had a stated intention to pay £600,000 (2000 - £500,000) annually to various Historic Churches Trusts. In accordance with FRS 12, a provision has not been recognised because a legal obligation does not exist at the balance sheet date.

17. RELATED PARTY TRANSACTIONS

During the year, the company sold a car to John Marsh, Chairman, for £3,900. This was the open market value of the car and it resulted in a loss of £1,400 which is included within other operating charges.

Details of related party transactions with partnerships of directors of the company are set out in note 2.