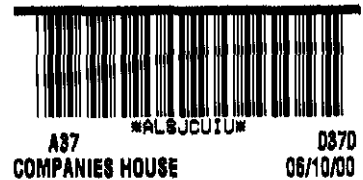


**WASTE RECYCLING ENVIRONMENTAL
LIMITED**

(A company limited by guarantee)

Report and Financial Statements

31 December 1999



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

**(- 15/09/00)
Ac03wre8**

WASTE RECYCLING ENVIRONMENTAL LIMITED
(A company limited by guarantee)

REPORT AND FINANCIAL STATEMENTS 1999

CONTENTS	Page
Officers and professional advisers	1
Directors' report	2
Auditors' report	4
Income and expenditure account	5
Balance sheet	6
Cash flow statement	7
Notes to the accounts	8
Additional information	12
Trading income and expenditure account	13

WASTE RECYCLING ENVIRONMENTAL LIMITED
(A company limited by guarantee)

REPORT AND FINANCIAL STATEMENTS 1999

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

J Marsh (Chairman)
Dr M Bignall
M Fulcher
J Colby Clarke
M Singh
D R A Sheppard (Finance)
M Doughty
J Joyce
R Tomlinson
M Snell

SECRETARY

D R A Sheppard

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

WASTE RECYCLING ENVIRONMENTAL LIMITED
(A company limited by guarantee)

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 1999.

ACTIVITY

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

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The company has expanded its operations this year with Waste Recycling Group's acquisition of 3C Holdings Limited and certain waste management business from Yorkshire Water plc, increasing the landfill tax credits paid to Waste Recycling Environmental Limited. On 5 October 1999 Waste Recycling Environmental Limited accepted responsibility for the projects of Global Environmental Community Trust worth £2.4m.

The operating surpluses for the years ended 31 December 1999 and 1998 are a result of timing differences between the dates that landfill tax credit contributions are received and the dates that grants are paid. Since 1 January 2000 all of the surplus identified at 31 December 1999 has been committed to grant recipients.

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 Marsh
D R A Sheppard
M Singh
M Doughty (appointed 2 July 1999)
J Joyce (appointed 7 December 1999)
R Tomlinson (appointed 1 October 1999)
M Snell (appointed 7 May 1999)

The following directors are not members of the company:

M Fulcher
Dr M Bignall

COMPANY STATUS

The company is limited by guarantee.

YEAR 2000 ISSUE

Following their initial review, the directors continue to be alert to the potential risks and uncertainties surrounding the Year 2000 issue. As at the date of this report, the directors are not aware of any significant factors which have arisen, or that may arise, which will affect the activities of the business. However the situation is still being monitored. Any future costs associated with this issue cannot be quantified but are not anticipated to be significant.

WASTE RECYCLING ENVIRONMENTAL LIMITED
(A company limited by guarantee)

DIRECTORS' REPORT

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:

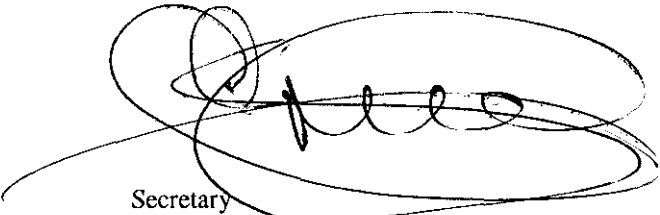
- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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. 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

20 September 2000



WASTE RECYCLING ENVIRONMENTAL LIMITED
(A company limited by guarantee)

AUDITORS' REPORT TO THE MEMBERS

We have audited the financial statements on pages 5 to 11 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. 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 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 1999 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

28 September 2000

WASTE RECYCLING ENVIRONMENTAL LIMITED
(A company limited by guarantee)

INCOME AND EXPENDITURE ACCOUNT
Year ended 31 December 1999

	Note	1999 £	1998 Restated (note 1) £
TURNOVER	1	8,989,491	2,538,626
Other operating income	3	450	171,800
		<u>8,989,941</u>	<u>2,710,426</u>
Staff costs	2	139,126	15,034
Depreciation	7	31,703	9,222
Other operating charges		6,244,039	2,388,693
		<u>6,414,868</u>	<u>2,412,949</u>
OPERATING SURPLUS	4	2,575,073	297,477
Interest receivable	5	202,355	49,057
		<u>2,777,428</u>	<u>346,534</u>
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION		2,777,428	346,534
Tax on surplus on ordinary activities	6	(16,674)	(10,302)
		<u>2,760,754</u>	<u>336,232</u>
RETAINED SURPLUS FOR THE FINANCIAL YEAR		2,760,754	336,232
Retained surplus brought forward as previously reported		38,755	
Prior period adjustment	1	<u>297,477</u>	
Retained surplus brought forward as restated		336,232	-
Retained surplus carried forward		<u>3,096,986</u>	<u>336,232</u>

Turnover and operating 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
(A company limited by guarantee)

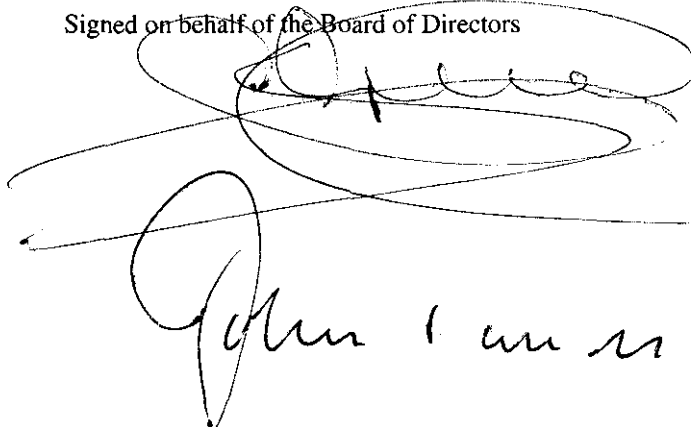
BALANCE SHEET
31 December 1999

	Note	1999 £	1998 Restated (note 1) £
FIXED ASSETS			
Tangible assets	7	<u>84,175</u>	<u>27,889</u>
CURRENT ASSETS			
Debtors	8	1,553,763	160,020
Cash at bank and in hand		<u>7,238,734</u>	<u>1,960,719</u>
		8,792,497	2,120,739
CREDITORS: amounts falling due within one year	9	<u>(5,779,686)</u>	<u>(1,812,396)</u>
NET CURRENT ASSETS		<u>3,012,811</u>	<u>308,343</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>3,096,986</u>	<u>336,232</u>
CAPITAL AND RESERVES	10		
Income and expenditure account		<u>3,096,986</u>	<u>336,232</u>

These financial statements were approved by the Board of Directors on

Signed on behalf of the Board of Directors

20/9/2000



John I. M. M.

WASTE RECYCLING ENVIRONMENTAL LIMITED
(A company limited by guarantee)

CASH FLOW STATEMENT
Year ended 31 December 1999

	Note	1999 £	1998 £
Net cash inflow from operating activities	11	5,173,951	1,948,773
Returns on investments and servicing of finance	12	202,355	49,057
Taxation	12	(10,302)	-
Capital expenditure and financial investment	12	(87,989)	(37,111)
Increase in cash in the year		<u>5,278,015</u>	<u>1,960,719</u>
Reconciliation of net cash flow to movement in net funds (note 13)			
Increase in cash in the year		5,278,015	1,960,719
Net funds brought forward		<u>1,960,719</u>	<u>-</u>
Net funds carried forward		<u>7,238,734</u>	<u>1,960,719</u>

WASTE RECYCLING ENVIRONMENTAL LIMITED
(A company limited by guarantee)

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

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 and prior period adjustment

All turnover is accounted for on a receivable basis. The 1998 figures have been restated to include £846,240 of income received, relating to grants not paid at 31 December 1998 which was previously deferred. In addition £548,763 of expenditure relating to grants agreed by the Board has been accrued at 31 December 1998.

Expenditure

Expenditure is accounted for on an accruals basis.

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

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 £35,000 (1998 - £16,070) were paid by Waste Recycling Environmental Limited to John Marsh & Associates (management partnership of Chairman).

	1999	1998
	£	£
Emoluments (excluding pension contributions)	66,807	-
Contributions to defined contribution pension schemes	3,167	-
	<u>69,974</u>	<u>-</u>
	No	No
Number of directors in defined contribution pension schemes	<u>1</u>	<u>-</u>
Average number of persons employed (including directors)		
Administration	<u>11</u>	<u>6</u>
	£	£
Staff costs during the year (including directors)		
Wages and salaries	125,810	11,317
Social security costs	10,149	3,717
Pension costs	3,167	-
	<u>139,126</u>	<u>15,034</u>

WASTE RECYCLING ENVIRONMENTAL LIMITED
(A company limited by guarantee)

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

3. OTHER OPERATING INCOME

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

4. OPERATING SURPLUS

Operating surplus is after charging:

	1999 £	1998 £
Depreciation - owned assets	31,703	9,222
Audit fees	3,500	3,500
	<u>35,203</u>	<u>12,722</u>

5. INTEREST RECEIVABLE

	1999 £	1998 £
Interest receivable on bank deposits	202,355	49,057
	<u>202,355</u>	<u>49,057</u>

6. TAX ON SURPLUS ON ORDINARY ACTIVITIES

	1999 £	1998 £
United Kingdom corporation tax at 20% (1998 - 21%) based on interest receivable for the year	16,674	10,302
	<u>16,674</u>	<u>10,302</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.

7. TANGIBLE FIXED ASSETS

	Motor vehicles £	Computer equipment £	Furniture, fixtures, fittings and equipment £	Total £
Cost				
At 1 January 1999	19,200	6,297	11,614	37,111
Additions in the year	54,955	16,015	17,019	87,989
	<u>74,155</u>	<u>22,312</u>	<u>28,633</u>	<u>125,100</u>
At 31 December 1999				
Depreciation				
At 1 January 1999	4,800	2,099	2,323	9,222
Charge for the year	18,539	7,437	5,727	31,703
	<u>23,339</u>	<u>9,536</u>	<u>8,050</u>	<u>40,925</u>
At 31 December 1999				
Net book value				
At 31 December 1999	50,816	12,776	20,583	84,175
At 31 December 1998	14,400	4,198	9,291	27,889

WASTE RECYCLING ENVIRONMENTAL LIMITED
(A company limited by guarantee)

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

8. DEBTORS

	1999	1998
	£	£
Trade debtors	1,465,971	148,743
Prepayments	-	392
Accrued income	87,792	10,885
	<u>1,553,763</u>	<u>160,020</u>

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	1999	1998
	£	Restated (note 1) £
Accruals		
- Grants agreed by ENTRUST but not paid		
Global Environmental Community Trust	1,184,459	-
Waste Recycling Environmental Limited	2,213,753	1,221,032
- Grants agreed by the Board but not paid		
Waste Recycling Environmental Limited	2,259,535	548,763
- Other	77,665	32,299
Corporation tax	16,674	10,302
Other taxation and social security	27,600	-
	<u>5,779,686</u>	<u>1,812,396</u>

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 10 members during the year ended 31 December 1999 (1998 - 6).

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 TO NET CASH INFLOW FROM OPERATING ACTIVITIES

	1999	1998
	£	£
Operating surplus	2,575,073	297,477
Depreciation	31,703	9,222
Increase in debtors	(1,393,743)	(160,020)
Increase in creditors	3,960,918	1,802,094
	<u>5,173,951</u>	<u>1,948,773</u>
Net cash inflow from operating activities		
	<u>5,173,951</u>	<u>1,948,773</u>

WASTE RECYCLING ENVIRONMENTAL LIMITED
(A company limited by guarantee)

NOTES TO THE ACCOUNTS
Year ended 31 December 1999

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

	1999	1998
	£	£
Returns on investments and servicing of finance		
Interest received	202,355	49,057
	<u>202,355</u>	<u>49,057</u>
Taxation		
UK corporation tax paid	(10,302)	-
	<u>(10,302)</u>	<u>-</u>
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(87,989)	(37,111)
	<u>(87,989)</u>	<u>(37,111)</u>

13. ANALYSIS OF NET FUNDS

	1998	Cash flow	1999
	£	£	£
Cash at bank and in hand	1,960,719	5,278,015	7,238,734
	<u>1,960,719</u>	<u>5,278,015</u>	<u>7,238,734</u>

14. CONTROLLING INTEREST

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