Company Registration No. 3368008

Deloitte & Touche

WASTE RECYCLING ENVIRONMENTAL LIMITED

(A company limited by guarantee)

Report and Financial Statements

31 December 2002

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Deloitte & Touche LLP
Cambridge

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WASTE RECYCLING ENVIRONMENTAL LIMITED
(A company limited by guarantee)

Deloitte & Touche

REPORT AND FINANCIAL STATEMENTS 2002

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WASTE RECYCLING ENVIRONMENTAL LIMITED
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REPORT AND FINANCIAL STATEMENTS 2002

OFFICERS AND PROFESSIONAL ADVISERS

DIRECTORS

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

SECRETARY

T C Fensom (resigned 14 May 2002)
S Marsh (appointed 14 May 2002, resigned 11 June 2002)
J Burkett (appointed 11 June 2002)

REGISTERED OFFICE

Manor Farm
Bridgham
Norwich
Norfolk NR16 2RX

BANKERS

Lloyds TSB Bank plc	Barclays Bank plc	HSBC Bank plc
41 Prince of Wales Road	34 Market Place	Treasury and Capital Markets
Norwich	East Dereham	Thames Exchange
Norfolk NR1 1BL	Norfolk NR19 2AS	10 Queen Street Place
		London EC4 1BQ

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 LLP
Chartered Accountants
Cambridge

Deloitte & Touche

DIRECTORS' REPORT

The directors present their annual report and the audited financial statements for the year ended 31 December 2002.

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 Credits income increased during 2002 and achieved the £25m that was forecast, however expectations for 2003 are that income will be at £10.5m, in line with proposed changes to the scheme.

The company has stood by its target to achieve cost to income ratio below 5% and despite an increase in staff in the last half of the year, managed to contain costs to 4.1%, without affecting the quality of project management offered and the turnaround time for payments to applicants and their contractors. WREN is now developing in house reporting to highlight projects slipping in their targets, both financially and in final objectives.

It was announced during the last quarter of 2002 that the Landfill Tax Credit Scheme is to be changed with approximately 70% being diverted to a public expenditure programme for sustainable waste management projects. This money will be taken out of the tax that is within the Private Sector area. The expectations are that approximately £100m will be removed from the Private Sector and that WREN's element of this will be £14.5m.

There has not yet been a formal announcement on the manner in which the Landfill Tax Credit Scheme will operate, and what changes are required of Distributive Environmental Bodies such as WREN, but redundancies will be a requirement in order to achieve acceptable cost to income ratios on a considerably reduced income.

Sadly, WREN has to announce the death of Michael Fulcher in November. The loss of Michael as a director to WREN is softened with the knowledge that as a contributor to WREN's success and leading role in the distribution of grants generated by Landfill Tax Credits, his memory lives on.

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 D Fulcher	(deceased 24 November 2002)
D Wheeler	
P M Cox	(appointed 8 April 2003)

The following directors are not members of the company:

J Joyce
R S Tomlinson
M J Snell
T H Butler
R Wilson
G Carlile
M Singh

COMPANY STATUS

The company is limited by guarantee.

DIRECTORS' REPORT (continued)

STATEMENT OF DIRECTORS' RESPONSIBILITIES

United Kingdom 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

On 1 August 2003, Deloitte & Touche, the company's auditors transferred their business to Deloitte & Touche LLP, a limited liability partnership incorporated under the Limited Liability Partnerships Act 2000. The company's consent has been given to treating the appointment of Deloitte & Touche as extending to Deloitte & Touche LLP with effect from 1 August 2003 under the provisions of section 26(5) of the Companies Act 1989. A resolution to re-appoint Deloitte & Touche LLP as the company's auditor will be proposed at the forthcoming Annual General Meeting.

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

D Wheeler

D WHEELER

Director

12 August 2003

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 2002 which comprise the income and expenditure account, the balance sheet, the cash flow statement and the related notes 1 to 18. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. 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 auditors' 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 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 2002 and of its deficit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Deloitte & Touche LLP

Deloitte & Touche LLP

Chartered Accountants and
Registered Auditors

Cambridge

4 September 2003

INCOME AND EXPENDITURE ACCOUNT
Year ended 31 December 2002

	Note	2002 £	2002 £	2001 £	2001 £
TURNOVER			24,857,177		20,624,942
Other operating income	3		412,890		127,533
			25,270,067		20,752,475
Staff costs	2		556,490		406,000
Depreciation	7		68,991		66,651
Other operating charges					
Grants committed		25,976,670		14,594,779	
ENTRUST levy		497,144		412,499	
Others		387,147		346,128	
			26,860,961		15,353,406
			27,486,442		15,826,057
OPERATING (DEFICIT) SURPLUS	4		(2,216,375)		4,926,418
Interest receivable	5		913,595		628,037
(DEFICIT) SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION			(1,302,780)		5,554,455
Tax on interest receivable less gift aid	6		(26,600)		(5,058)
RETAINED (DEFICIT) SURPLUS FOR THE FINANCIAL YEAR			(1,329,380)		5,549,397
Retained surplus brought forward			7,662,200		2,112,803
Retained surplus carried forward			6,332,820		7,662,200

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

There are no recognised gains and losses or movements in shareholders' funds other than the deficit for the financial year and the surplus for the 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 2002

	Note	2002 £	2001 £
FIXED ASSETS			
Tangible assets	7	84,180	129,023
CURRENT ASSETS			
Debtors	8	5,935,584	5,620,239
Cash on deposit		28,136,400	17,384,456
Cash at bank and in hand		534,784	-
		34,606,768	23,004,695
CREDITORS: amounts falling due within one year	9	(28,358,128)	(15,471,518)
NET CURRENT ASSETS		6,248,640	7,533,177
TOTAL ASSETS LESS CURRENT LIABILITIES		6,332,820	7,662,200
RESERVES			
Income and expenditure account		6,332,820	7,662,200

These financial statements were approved by the Board of Directors on 12 August 2003.

Signed on behalf of the Board of Directors

J R Marsh

Deloitte & Touche

CASH FLOW STATEMENT
Year ended 31 December 2002

	Note	2002 £	2001 £
Net cash inflow from operating activities	11	10,397,135	8,314,336
Returns on investments and servicing of finance	12	989,068	548,384
Taxation	12	(5,058)	(11,603)
Capital expenditure and financial investment	12	(15,756)	(90,245)
Management of liquid resources	12	(10,751,944)	(8,884,456)
Increase (decrease) in cash in the year		613,445	(123,584)
Reconciliation of net cash flow to movement in net funds	13		
Increase (decrease) in cash in the year		613,445	(123,584)
Cash outflow from increase in liquid resources		10,751,944	8,884,456
Change in net funds resulting from cash flows		11,365,389	8,760,872
Net funds brought forward		17,305,795	8,544,923
Net funds carried forward		28,671,184	17,305,795

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

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 communication of the approval of a project by 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 £nil (2001 - £8,750) were paid by Waste Recycling Environmental Limited to John Marsh & Associates (management partnership of Chairman).

Consultancy fees of £4,341 (2001 - £8,979) were paid by Waste Recycling Environmental Limited to Westley Consultants (partnership of M D Fulcher).

	2002 £	2001 £
Emoluments (excluding pension contributions)	62,940	42,577
Contributions to defined contribution pension schemes	1,441	971
	64,381	43,548
	No	No
Number of directors in defined contribution pension schemes	1	1

2. INFORMATION REGARDING DIRECTORS AND EMPLOYEES (continued)

	2002 No	2001 No
Average number of persons employed (including directors)		
Administration	31	22

	2002 £	2001 £
Staff costs during the year (including directors)		
Wages and salaries	496,859	362,199
Social security costs	49,309	37,410
Pension costs	10,322	6,391
	556,490	406,000

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 (crediting):

	2002 £	2001 £
Depreciation - owned assets	68,991	66,651
Rentals under operating leases	25,000	25,000
Audit fees	7,344	5,781
(Gain) loss on disposal of fixed assets	(12,392)	2,381

5. INTEREST RECEIVABLE

	2002 £	2001 £
Interest receivable on bank deposits	913,595	628,037

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

6. TAX ON INTEREST RECEIVABLE LESS GIFT AID

	2002 £	2001 £
United Kingdom corporation tax at 19% (2001 - 20%) based on interest receivable for the year	26,600	5,058

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

The differences between the total current tax shown above and the amount calculated by applying the standard rate of UK corporation tax to the (deficit) surplus before tax is as follows:

	2002 £	2001 £
(Deficit) surplus on ordinary activities before tax	(1,302,780)	5,554,455
Tax on (deficit) surplus on ordinary activities before tax at 19% (2001 - 20%)	(247,528)	1,110,891
Effects of:		
Expenses not deductible for tax purposes	13,108	13,330
Marginal relief	341	(549)
Non-deductible expenses	5,064,346	3,031,405
Non-taxable income	(4,801,313)	(4,150,495)
Profit on disposal of ineligible assets	(2,354)	476
Current tax charge for the year	26,600	5,058

7. TANGIBLE FIXED ASSETS

	Motor vehicles £	Computer equipment £	Furniture, fixtures, fittings and equipment £	Total £
Cost				
At 1 January 2002	153,000	58,119	55,168	266,287
Additions in the year	2,200	30,300	7,020	39,520
Disposals in the year	(62,700)	(3,800)	(176)	(66,676)
At 31 December 2002	92,500	84,619	62,012	239,131
Depreciation				
At 1 January 2002	74,005	38,014	25,245	137,264
Charge for the year	33,390	23,199	12,402	68,991
Eliminated on disposals	(47,363)	(3,800)	(141)	(51,304)
At 31 December 2002	60,032	57,413	37,506	154,951
Net book value				
At 31 December 2002	32,468	27,206	24,506	84,180
At 31 December 2001	78,995	20,105	29,923	129,023

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

8. DEBTORS

	2002 £	2001 £
Trade debtors	5,789,882	5,406,692
Other debtors	4,000	3,250
Prepayments	16,464	9,586
Accrued income	125,238	200,711
	5,935,584	5,620,239

9. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	2002 £	2001 £
Bank overdraft (i)	-	78,661
Amounts owed to Global Environmental Community Trust Limited	30,101	34,117
Accruals		
- Grants agreed by the Board but not paid	27,670,046	14,858,242
- Amounts owed to Essex Environmental Trust	436,603	336,105
- Other	179,162	146,404
Corporation tax	26,600	5,058
Other taxation and social security	15,616	12,931
	28,358,128	15,471,518

i. The preparation of these accounts on the accruals basis results in an overdraft being shown in 2001 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 4 members during the year ended 31 December 2002 (2001 - 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.

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

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

	2002 £	2001 £
Operating (deficit) surplus	(2,216,375)	4,926,418
Depreciation	68,991	66,651
(Gain) loss on disposal of fixed assets	(12,392)	2,381
Increase in debtors	(386,818)	(3,358,556)
Increase in creditors	12,943,729	6,677,442
Net cash inflow from operating activities	10,397,135	8,314,336

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

	2002 £	2001 £
Returns on investments and servicing of finance		
Interest received	989,068	548,384
Taxation		
UK corporation tax paid	(5,058)	(11,603)
Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(39,520)	(103,002)
Receipts from sale of fixed assets	23,764	12,757
	(15,756)	(90,245)
Management of liquid resources		
Increase in treasury deposits	(10,751,944)	(8,884,456)

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

13. ANALYSIS OF NET FUNDS

	2002 £	Cash flow £	2002 £
Cash at bank and in hand	-	534,784	534,784
Bank overdraft	(78,661)	78,661	-
		613,445	
Short term deposits	17,384,456	10,751,944	28,136,400
	17,305,795	11,365,389	28,671,184

14. OPERATING LEASE COMMITMENTS

At 31 December 2002 the company was committed to making the following payments during the next year in respect of operating leases.

	Buildings 2002 £	Buildings 2001 £
Leases which expire:		
Within 2 to 5 years	25,000	25,000

15. CONTROLLING INTEREST

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

16. COMMITMENTS

As at 31 December 2002 the company had a stated intention to pay £220,000 (2001 - £600,000) 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.

NOTES TO THE ACCOUNTS
Year ended 31 December 2002

17. RELATED PARTY TRANSACTIONS

During the year the company sold a car to John Marsh, Chairman, for £7,200. This was the open market value of the car and it resulted in a gain of £1,280 which is included within other operating charges.

The company also sold a car to Kevin Wheeler (son of David Wheeler, director) for £4,680. This was the open market value of the car and it resulted in a gain of £4,680 which is included within other operating charges.

During the year ended 31 December 2001 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.

18. POST BALANCE SHEET EVENTS

On 6 April 2003 the rules of the landfill tax credit scheme changed. Landfill operators can now only donate up to 6.5% of their landfill tax liability (2001 - 20%).

On 31 March 2003 the company terminated and wrote off £2,062,209 of grants committed. These amounts are included in creditors at the year end.