

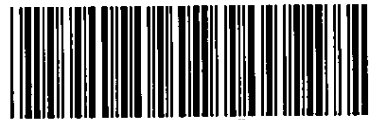
Waste Recycling Environmental Limited

Report of the Directors and

Financial Statements

for the Year Ended 31 December 2006

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COMPANIES HOUSE

Haines Watts
Unit 8, Hopper Way
Diss Business Park
Diss
Norfolk
IP22 4GT

**Contents of the Financial Statements
for the Year Ended 31 December 2006**

	Page
Company Information	1
Report of the Directors	2 to 3
Report of the Independent Auditors	4
Income and Expenditure Account	5
Balance Sheet	6
Cash Flow Statement	7
Notes to the Cash Flow Statement	8
Notes to the Financial Statements	9 to 12
Income and Expenditure Account	13

**Company Information
for the Year Ended 31 December 2006**

DIRECTORS

Mr J R Marsh
Mr P M Cox
Mr C Bird
Mr C C B Grocock
Mr S Jennings
Mr J Joyce
Mrs P M Lyons
Mr M G Robinson
Mr M Rutherford
Mr M J Snell
Mr G J Thomas
Mr R Wilson

SECRETARY

Mr J H Burkett

REGISTERED OFFICE

Wren House
Manor Farm
The Street, Bridgham
Norwich
Norfolk
NR16 2RX

REGISTERED NUMBER:

03368008 (England and Wales)

AUDITORS

Haines Watts
Unit 8, Hopper Way
Diss Business Park
Diss
Norfolk
IP22 4GT

SOLICITORS

Fisher Jones Greenwood LLP
Charter Court
Newcomen Way
Severalls Business Park
Colchester
Essex
CO4 9YA

**Report of the Directors
for the Year Ended 31 December 2006**

The directors present their report with the financial statements of the company for the year ended 31 December 2006

PRINCIPAL ACTIVITY

The principal activity of the company in the year under review was that of financing environmental projects from income received from landfill tax credits

REVIEW OF BUSINESS AND FUTURE PROSPECTS

The results for the year and financial position of the company are as shown in the annexed financial statements

Landfill Tax Credit income for 2006 was just a little under £15 Million, with much of the extra income being generated in areas outside of WREN's established operation. During 2006 WREN has sought to establish a bigger footing in the newer operational areas with a targeted campaign to raise awareness of funding opportunities. This has met particular success in areas such as Bedfordshire where grants in excess of £1.4 Million were awarded and overall WREN awarded almost £14 Million to worthy projects across its regions.

The Landfill Tax Credit Scheme, in its tenth year, was re-branded as "The Landfill Communities Fund" and received glowing accolades from the Minister, John Healey for the achievements during those ten years and the sincere hope that the next ten years would be an even greater testimony to the professional manner in which Distributive Environmental Bodies such as WREN would deliver. We acknowledge the challenge and strive to exceed expectations.

The commitment to transparency remains, with WREN showing the levels of funding awarded but not taken up during 2006 (referred to as *Writebacks*) of over £2 Million playing a substantial part in the surplus that WREN carries. The WREN Board has set the challenge of keeping them as low as possible as they are generally indicative of projects failing to achieve match funding or losing key project personnel. That same level of commitment is also carried into the vigil of containing costs where WREN has managed to operate on 6.94% of the income received.

The year has been positive in terms of the long-term future, with indication that Government will allow some growth of the overall funding available through the Scheme. This has since been confirmed through the Chancellor's budget speech in April, and as a consequence WREN is forecasting income of around £16 Million for 2007.

EVENTS SINCE THE END OF THE YEAR

Information relating to events since the end of the year is given in the notes to the financial statements.

DIRECTORS

The directors shown below have held office during the whole of the period from 1 January 2006 to the date of this report.

Mr J R Marsh
Mr P M Cox
Mr C C B Grocock
Mr S Jennings
Mr J Joyce
Mrs P M Lyons
Mr M G Robinson
Mr M J Snell
Mr G J Thomas
Mr R Wilson

Other changes in directors holding office are as follows:

Mr C Bird - appointed 1 June 2006
Mr S Parr - resigned 31 May 2006
Mr M Rutherford - appointed 31 December 2006

STATEMENT OF DIRECTORS' RESPONSIBILITIES

The directors are responsible for preparing 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 financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The financial statements are required by law to give a true and fair view of the state of affairs of the company and of the surplus or deficit of the company 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 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.

**Report of the Directors
for the Year Ended 31 December 2006**

STATEMENT OF DIRECTORS' RESPONSIBILITIES - continued

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.

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

AUDITORS

The auditors, Haines Watts, will be proposed for re-appointment in accordance with Section 385 of the Companies Act 1985.

ON BEHALF OF THE BOARD



Mr P M Cox - Director

Date

22nd, June, 2007

**Report of the Independent Auditors to the Members of
Waste Recycling Environmental Limited**

We have audited the financial statements of Waste Recycling Environmental Limited for the year ended 31 December 2006 on pages five to twelve. 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

The directors' responsibilities for preparing the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice) are set out on pages two and three.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 to you whether in our opinion the information given in the Report of the Directors is consistent with the financial statements.

In addition, we report to you if, in our opinion, 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 other transactions is not disclosed.

We read the Report of the Directors and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the company's affairs as at 31 December 2006 and of its surplus for the year then ended,
- the financial statements have been properly prepared in accordance with the Companies Act 1985, and
- the information given in the Report of the Directors is consistent with the financial statements.

Haines Watts

Haines Watts
Unit 8, Hopper Way
Diss Business Park
Diss
Norfolk
IP22 4GT

Date *4th July 2007*

Waste Recycling Environmental Limited

**Income and Expenditure Account
for the Year Ended 31 December 2006**

		2006		2005	
	Notes	£	£	£	£
TURNOVER			14,709,327		12,166,254
Other operating income	2		<u>12,935</u>		<u>7,682</u>
			14,722,262		12,173,936
Staff costs	3	662,081		612,855	
Depreciation		36,460		31,379	
Grants committed		14,584,460		11,258,925	
Grants written back		<u>(1,465,431)</u>		<u>(1,155,892)</u>	
			<u>13,817,570</u>		<u>10,747,267</u>
OPERATING SURPLUS	4		904,692		1,426,669
Interest receivable and similar income			<u>1,108,043</u>		<u>1,115,858</u>
SURPLUS ON ORDINARY ACTIVITIES BEFORE TAXATION			2,012,735		2,542,527
Tax on surplus on ordinary activities	6		<u>57,008</u>		<u>39,096</u>
SURPLUS FOR THE FINANCIAL YEAR AFTER TAXATION			<u><u>1,955,727</u></u>		<u><u>2,503,431</u></u>

CONTINUING OPERATIONS

None of the company's activities were acquired or discontinued during the current year or previous year

TOTAL RECOGNISED GAINS AND DEFICITS

The company has no recognised gains or deficits other than the surplus for the current year or previous year

Waste Recycling Environmental Limited

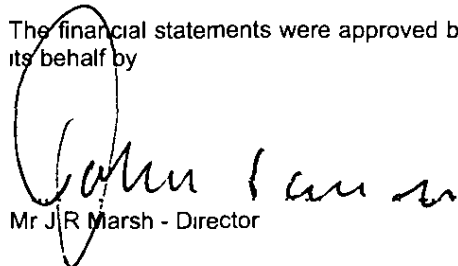
**Balance Sheet
31 December 2006**

	Notes	2006 £	2005 £
FIXED ASSETS			
Tangible assets	7	48,106	80,977
CURRENT ASSETS			
Debtors	8	3,827,868	3,252,884
Cash at bank and in hand		<u>23,447,847</u>	<u>23,103,120</u>
		27,275,715	26,356,004
CREDITORS			
Amounts falling due within one year	9	<u>15,838,454</u>	<u>16,907,341</u>
NET CURRENT ASSETS		<u>11,437,261</u>	<u>9,448,663</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>11,485,367</u>	<u>9,529,640</u>
RESERVES			
Other reserves	11	624,506	381,472
Income and expenditure account	11	<u>10,860,861</u>	<u>9,148,168</u>
	13	<u>11,485,367</u>	<u>9,529,640</u>

The financial statements were approved by the Board of Directors on its behalf by

19th June, 2007

and were signed on


Mr J R Marsh - Director

Waste Recycling Environmental Limited

**Cash Flow Statement
for the Year Ended 31 December 2006**

	Notes	2006 £	2005 £
Net cash outflow from operating activities	1	(478,354)	(2,397,013)
Returns on investments and servicing of finance	2	865,765	1,196,744
Taxation		(39,096)	(62,251)
Capital expenditure	2	<u>(3,588)</u>	<u>(2,228)</u>
Increase/(Decrease) in cash in the period		<u>344,727</u>	<u>(1,264,748)</u>

**Reconciliation of net cash flow
to movement in net funds**

	3		
Increase/(Decrease) in cash in the period		<u>344,727</u>	<u>(1,264,748)</u>
Change in net funds resulting from cash flows		<u>344,727</u>	<u>(1,264,748)</u>
Movement in net funds in the period		344,727	(1,264,748)
Net funds at 1 January		<u>23,103,120</u>	<u>24,367,868</u>
Net funds at 31 December		<u>23,447,847</u>	<u>23,103,120</u>

The notes form part of these financial statements

Notes to the Cash Flow Statement
for the Year Ended 31 December 2006

1 RECONCILIATION OF OPERATING SURPLUS TO NET CASH OUTFLOW FROM OPERATING ACTIVITIES

	2006 £	2005 £
Operating surplus	904,692	1,426,669
Depreciation charges	36,652	37,779
Surplus on disposal of fixed assets	(192)	(6,400)
Increase in debtors	(332,707)	(1,265,467)
Decrease in creditors	<u>(1,086,799)</u>	<u>(2,589,594)</u>
Net cash outflow from operating activities	<u>(478,354)</u>	<u>(2,397,013)</u>

2 ANALYSIS OF CASH FLOWS FOR HEADINGS NETTED IN THE CASH FLOW STATEMENT

	2006 £	2005 £
Returns on investments and servicing of finance		
Interest received	<u>865,765</u>	<u>1,196,744</u>
Net cash inflow for returns on investments and servicing of finance	<u>865,765</u>	<u>1,196,744</u>
Capital expenditure		
Purchase of tangible fixed assets	(15,488)	(8,628)
Sale of tangible fixed assets	<u>11,900</u>	<u>6,400</u>
Net cash outflow for capital expenditure	<u>(3,588)</u>	<u>(2,228)</u>

3 ANALYSIS OF CHANGES IN NET FUNDS

	At 1 1 06 £	Cash flow £	At 31 12 06 £
Net cash			
Cash at bank and in hand	<u>23,103,120</u>	<u>344,727</u>	<u>23,447,847</u>
	<u>23,103,120</u>	<u>344,727</u>	<u>23,447,847</u>
Total	<u>23,103,120</u>	<u>344,727</u>	<u>23,447,847</u>

Notes to the Financial Statements
for the Year Ended 31 December 2006

1 ACCOUNTING POLICIES

Accounting convention

The financial statements have been 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

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

Deferred tax

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date

Pensions

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

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.

Grants committed

The company records grants committed as a liability once the award of the grant has been approved and the applicant has been advised of the success of their application and any particular conditions attached to the award.

Unclaimed grants are reviewed quarterly and those that have expired, are for projects that have ceased or are not active are released back to the income and expenditure account.

At the year end the directors make an estimate of the likely amounts included within creditors that are not expected to become payable and reduce the liability accordingly. This estimate is based upon cumulative grants released.

2 OTHER OPERATING INCOME

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

3 STAFF COSTS

	2006	2005
	£	£
Wages and salaries	596,224	555,645
Social security costs	56,532	48,095
Other pension costs	9,325	9,115
	<u>662,081</u>	<u>612,855</u>

The average monthly number of employees during the year was as follows

	2006	2005
Administration	<u>31</u>	<u>30</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2006

4 OPERATING SURPLUS

The operating surplus is stated after charging/(crediting)

	2006 £	2005 £
Depreciation - owned assets	36,652	37,779
Surplus on disposal of fixed assets	(192)	(6,400)
Auditors' remuneration	12,925	3,138
Rentals under operating leases	<u>32,400</u>	<u>35,000</u>
Directors' emoluments	<u>100,963</u>	<u>93,329</u>

The number of directors to whom retirement benefits were accruing was as follows

Money purchase schemes	<u>1</u>	<u>1</u>
------------------------	----------	----------

5 EXCEPTIONAL ITEMS

	2006 £	2005 £
Release of committed grants	<u>1,465,431</u>	<u>1,155,892</u>

During the year the company has released accruals for previously committed grants where the grants have not been taken up or have otherwise lapsed

6 TAXATION

Analysis of the tax charge

The tax charge on the surplus on ordinary activities for the year was as follows

	2006 £	2005 £
Current tax		
UK corporation tax	<u>57,008</u>	<u>39,096</u>
Tax on surplus on ordinary activities	<u>57,008</u>	<u>39,096</u>

UK corporation tax has been charged at 19%

Factors affecting the tax charge

The tax assessed for the year is lower than the standard rate of corporation tax in the UK. The difference is explained below

	2006 £	2005 £
Surplus on ordinary activities before tax	<u>2,012,735</u>	<u>2,542,527</u>
Surplus on ordinary activities multiplied by the standard rate of corporation tax in the UK of 19% (2005 - 19%)	382,420	483,080
Effects of Expenses not deductible for tax purposes	(325,220)	(442,768)
Surplus on disposal of ineligible assets	<u>(192)</u>	<u>(1,216)</u>
Current tax charge	<u>57,008</u>	<u>39,096</u>

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

Notes to the Financial Statements - continued
for the Year Ended 31 December 2006

7 TANGIBLE FIXED ASSETS

	Fixtures and fittings £	Motor vehicles £	Computer equipment £	Totals £
COST				
At 1 January 2006	75,427	50,200	121,387	247,014
Additions	10,274	-	5,214	15,488
Disposals	(196)	(19,220)	-	(19,416)
At 31 December 2006	<u>85,505</u>	<u>30,980</u>	<u>126,601</u>	<u>243,086</u>
DEPRECIATION				
At 1 January 2006	58,232	19,964	87,840	166,036
Charge for year	8,524	9,678	18,450	36,652
Eliminated on disposal	(88)	(7,620)	-	(7,708)
At 31 December 2006	<u>66,668</u>	<u>22,022</u>	<u>106,290</u>	<u>194,980</u>
NET BOOK VALUE				
At 31 December 2006	<u>18,837</u>	<u>8,958</u>	<u>20,311</u>	<u>48,106</u>
At 31 December 2005	<u>17,195</u>	<u>30,236</u>	<u>33,547</u>	<u>80,978</u>

8 DEBTORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £	2005 £
Trade debtors	3,509,028	3,178,672
Accrued income	291,708	49,430
Prepayments	<u>27,132</u>	<u>24,782</u>
	<u>3,827,868</u>	<u>3,252,884</u>

9 CREDITORS AMOUNTS FALLING DUE WITHIN ONE YEAR

	2006 £	2005 £
Corporation tax	57,008	39,096
Social security and other taxes	16,011	15,923
Other creditors	13,078	14,122
Grants agreed by the board but not paid	15,513,928	16,592,628
Accrued expenses	<u>238,429</u>	<u>245,572</u>
	<u>15,838,454</u>	<u>16,907,341</u>

10 OPERATING LEASE COMMITMENTS

The following operating lease payments are committed to be paid within one year

	Land and buildings	
	2006 £	2005 £
Expiring		
Between one and five years	-	40,000
In more than five years	<u>32,400</u>	<u>-</u>
	<u>32,400</u>	<u>40,000</u>

Notes to the Financial Statements - continued
for the Year Ended 31 December 2006

11 RESERVES

	Income and expenditure account £	Other reserves £	Totals £
At 1 January 2006	9,148,168	381,472	9,529,640
Surplus for the year	1,985,727		1,985,727
Transfer to other reserves	(243,034)	243,034	-
At 31 December 2006	<u>10,890,861</u>	<u>624,506</u>	<u>11,515,367</u>

Other reserves represent funds set aside by the company to cover the running costs of the scheme in the event that the scheme loses funding. It is the intention to build the reserve to a sufficient level to ensure that all existing committed projects can be managed to their conclusion.

12 POST BALANCE SHEET EVENTS

In the recent (March 2007) budget, the Chancellor announced that the escalator tax will rise from April 2008 at a rate of £8 per tonne per year until 2010, when the rate will have achieved £48 per tonne.

The Landfill fund is to be increased from £60 million to £65 million with an expected effect on WREN of around £1 million per year (not allowing for any deductions in tonnages of tipping waste).

13 RECONCILIATION OF MOVEMENTS IN RESERVES

	2006 £	2005 £
Surplus for the financial year	<u>1,955,727</u>	<u>2,503,431</u>
Net addition to reserves	1,955,727	2,503,431
Opening reserves	<u>9,529,640</u>	<u>7,026,209</u>
Closing reserves	<u>11,485,367</u>	<u>9,529,640</u>

14 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 two members during the year ended 31 December 2006 (2005 - 4).

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.

15 CONTROLLING INTEREST

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

Waste Recycling Environmental Limited

**Income and Expenditure Account
for the Year Ended 31 December 2006**

	2006		2005	
	£	£	£	£
Turnover				
WRG Landfill Tax Credits Received	14,673,874		12,139,500	
Yorkshire Water Tax Credits Received	<u>35,453</u>		<u>26,754</u>	
		14,709,327		12,166,254
Other income				
Sundry receipts	12,935		7,682	
Interest Receivable	<u>1,108,043</u>		<u>1,115,858</u>	
		<u>1,120,978</u>		<u>1,123,540</u>
		15,830,305		13,289,794
Expenditure				
Other grants agreed by the Board	12,635,001		9,410,857	
Exceptional items	(1,465,431)		(1,155,892)	
Payments made under Gift Aid provisions	808,000		910,087	
EB Transfers Out (Non Project Related)	418,393		305,000	
WREN Charges to Compost Research	30,803		23,768	
Entrust Levy	294,187		243,325	
Wages	495,261		497,171	
Directors' salaries	100,963		58,474	
Directors' social security	8,365		5,318	
Social security	48,167		42,777	
Pensions	9,325		9,115	
Administration	384,544		362,104	
Auditors' remuneration	12,925		3,138	
Depreciation of tangible fixed assets	36,652		37,779	
Surplus/deficit on sale of tangible fixed assets	<u>(192)</u>		<u>(6,400)</u>	
		<u>13,816,963</u>		<u>10,746,621</u>
		2,013,342		2,543,173
Finance costs				
Bank charges		<u>607</u>		<u>646</u>
NET SURPLUS		<u><u>2,012,735</u></u>		<u><u>2,542,527</u></u>