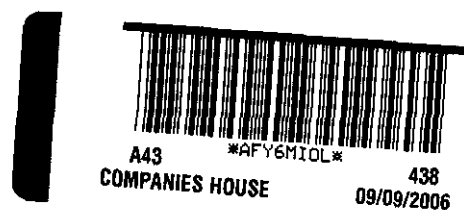


THE RECYCLING FUND LIMITED
REPORT AND FINANCIAL STATEMENTS
31 MARCH 2006



THE RECYCLING FUND LIMITED

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THE RECYCLING FUND LIMITED

COMPANY INFORMATION

Directors

C J Price
V Cocker
H Etheridge
P Garnham
B Kemp

Secretary

H Etheridge

Registered office

The Old Academy
21 Horse Fair
Banbury
Oxfordshire
OX16 OAH

Company number

4698093

Auditors

Saffery Champness
Lion House
Red Lion Street
London
WC1R 4GB

Bankers

The Co-operative Bank plc
PO Box 101
1 Balloon Street
Manchester
M60 4EP

Managers of The Recycling Fund LP

Impax Asset Management Limited
Broughton House
6-8 Sackville Street
London
W1S 3DG

THE RECYCLING FUND LIMITED

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2006

The directors present their report and financial statements for the year ended 31 March 2006.

Principal activities

The company has been established to manage funds for investment in the recycling sector.

Directors

The following directors have held office during the period:

C J Price
V Cocker
H Etheridge
P Garnham
B Kemp

Directors' interests

No director had any interest in the company's share capital during the period.

Results

The results of the company's activities are summarised on page 6. Net outgoing resources for the period amounted to £154,837 (2005: £108,823 incoming).

Review of activities

The Recycling Fund Limited is a wholly owned subsidiary of the Waste and Resources Action Programme (Company Registration No 4125764).

The Company is the founder investor and partner in the Recycling Fund LP which is a venture capital fund investing in small and medium sized recycling companies in the UK. WRAP, Wastelink Services Ltd, Barclays and Partnerships UK have committed a total of £5.5 million to the Recycling Fund LP. The Company manages WRAP's contributions.

The Recycling Fund LP has examined some 203 potential investments since inception. Despite a large amount of activity in examining projects, and improvements made in the management of the fund The Recycling Fund LP did not fund any new investments in 2005/6 (2004/5 2 investments). The Company contributed £nil (2005: £601,945) towards these investments.

During the year one of the investments of the Recycling Fund LP, Oakside Logistics Limited, went into administration and the administrators subsequently disposed of the assets of the business. The Recycling Fund LP does not expect to realise any consideration from this investment and has therefore reduced its carrying value to £nil. Accordingly the Company has reduced the carrying value of its investment in the Recycling Fund LP by £245,546, representing the proportion of its investment in Oakside Logistics Limited.

THE RECYCLING FUND LIMITED

The Recycling Fund LP is managed by the General Partner which is a company in the Impax Asset Management group of companies.

DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 MARCH 2006

Auditors

The board has resolved to put the audit to tender. A nomination will be made to the shareholder at the Annual General Meeting.

Directors' responsibilities

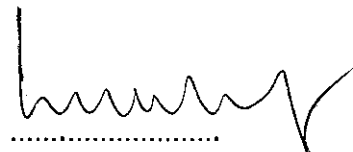
Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and of the profit or loss of the company for that period. In preparing those financial statements, the directors are required to:

- 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.

In accordance with section 234ZA Companies Act 1985, the directors confirm that, in the case of each of the persons who are directors at the time when this report is approved, so far as each of the directors is aware, there is no relevant information that has not been disclosed to the Company's auditors and each of the directors believes that all steps have been taken that ought to have been taken to make them aware of any relevant audit information and to establish that the Company's auditors have been made aware of that information.

On behalf of the Board



H Etheridge
Secretary

19 June 2006

THE RECYCLING FUND LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS FOR THE YEAR ENDED 31 MARCH 2006

We have audited the financial statements of The Recycling Fund Limited on pages 6 to 10. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of directors and auditors

As described in the statement of directors' responsibilities on page 3, the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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

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 auditor's 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.

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 directors' report is consistent with the financial statements. We also 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 transactions with the company is not disclosed.

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.

THE RECYCLING FUND LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS (continued)
FOR THE YEAR ENDED 31 MARCH 2006**

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 affairs of the company as at 31 March 2006 and of its result for the year then ended; and the financial statements have been properly prepared in accordance with the Companies Act 1985; and the information given in the directors' report is consistent with the financial statements.



Saffery Champness

Chartered Accountants & Registered Auditors

Lion House
Red Lion Street
London
WC1R 4GB

19 June 2006

THE RECYCLING FUND LIMITED**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2006**

	Note	2006 £	2005 £
Incoming resources			
Grants receivable from parent company		345,000	320,000
Interest receivable		175,840	183,899
Total incoming resources		<u>520,840</u>	<u>503,899</u>
Resources expended			
Amounts written off investments	4	606,361	320,000
Administration expenses		25,576	23,517
Taxation on interest receivable	2	43,740	51,559
Total resources expended		<u>675,677</u>	<u>395,076</u>
Net (outgoing)/ incoming resources	3	(154,837)	108,823
Balance brought forward		<u>4,320,221</u>	<u>4,211,398</u>
Balance carried forward at 31 March		<u>4,165,384</u>	<u>4,320,221</u>

There are no surpluses or deficits for the period other than those reflected above. All activities are continuing.

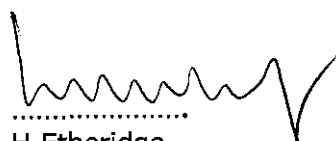
The notes on pages 8 to 10 form part of these financial statements.

THE RECYCLING FUND LIMITED

**BALANCE SHEET
AS AT 31 MARCH 2006**

	Note	2006 £	2005 £
Fixed assets			
Investments	4	347,809	602,355
Current assets			
Debtors	5	19,654	1
Cash at bank and in hand		<u>3,860,239</u>	<u>3,772,797</u>
		3,879,893	3,772,798
Current liabilities			
Creditors: Amounts falling due within one year	6	<u>(62,317)</u>	<u>(54,931)</u>
Net current assets		<u>3,817,576</u>	<u>3,717,867</u>
Total assets less current liabilities		<u>4,165,385</u>	<u>4,320,222</u>
Capital and reserves			
Called up share capital	8	1	1
Reserves		<u>4,165,384</u>	<u>4,320,221</u>
		<u>4,165,385</u>	<u>4,320,222</u>

The financial statements were approved by the Board on



H Etheridge
Director

19 June 2006

The notes on pages 8 to 10 form part of these financial statements.

THE RECYCLING FUND LIMITED

NOTES AND ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2006

1. Basis of financial statements and accounting policies

The company has adopted the following accounting policies which should be read in conjunction with the financial statements set out on pages 6 to 7 and which have been prepared under the historical cost convention and in accordance with United Kingdom Generally Accepted Accounting principles.

1.1 Income

Revenue grants receivable are credited to the Income and Expenditure Account in the period in which the funding is receivable. Income received in advance is carried forward as deferred income. Capital grants receivable are treated as deferred credits and credited to the Income and Expenditure Account over the estimated useful life of the assets.

1.2 Expenditure

All expenditure is charged in the period to which it relates on an accruals basis and a liability is recognised when there is a legal or constructive obligation.

1.3 Investments

Investments are stated at cost less provision for impairment. Cost includes management fees and contributions to due diligence costs which are written off as incurred.

2. Taxation

The company operates on a not-for-profit basis and accordingly is only liable for corporation tax on its net interest receivable.

3. Net (outgoing)/ incoming resources

	2006 £	2005 £
Net (outgoing)/ incoming resources are stated after charging:		
Directors' fees	14,100	14,100
Auditors' remuneration	2,350	2,000

Directors' fees relate to the services of B Kemp and P Garnham, each of whom received £7,050 (£6,000 + VAT) and were payable to third parties. The costs of the other directors have been absorbed by the parent company, The Waste and Resources Action Programme.

THE RECYCLING FUND LIMITED

NOTES AND ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 MARCH 2006

4. Investments

	Other investments
Cost	£
At 31 March 2005	1,186,393
Additions	351,815
At 31 March 2006	<u>1,538,208</u>
Provisions	
At 31 March 2005	584,038
Additions	606,361
At 31 March 2006	<u>1,190,399</u>
Net book value	
At 31 March 2006	<u>347,809</u>
At 31 March 2005	<u>602,355</u>

The company is a partner in The Recycling Fund LP. The registered office of the limited partnership is Broughton House, 6 - 8 Sackville Street, London W1S 3DG. A copy of the accounts of the partnership is to be appended to the copy of the accounts of the company sent to the Registrar of Companies under s242 Companies Act 1985.

The underlying investments are subject to an annual impairment review. During the year one of the investments of the Recycling Fund LP, Oakside Logistics Limited, went into administration and the administrators subsequently disposed of the assets of the business. The Recycling Fund LP does not expect to realise any consideration from this investment and has therefore reduced its carrying value to £nil. Accordingly the Company has reduced the carrying value of its investment in the Recycling Fund LP by £245,546, representing the proportion of its investment in Oakside Logistics Limited. Expenses incurred in identifying suitable investments and managing the fund are written off in the period they are incurred.

5. Debtors

	2006	2005
	£	£
Amounts owing within one year:		
Amounts due from parent undertaking	1	1
Interest receivable	19,653	-
	<u>19,654</u>	<u>1</u>

THE RECYCLING FUND LIMITED

NOTES AND ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 MARCH 2006

6. Creditors

	2006 £	2005 £
Amounts falling due within one year:		
Amounts due to parent undertaking	130	2,622
Corporation tax	44,563	49,914
Other creditors	-	10
Accruals and deferred income	17,624	2,385
	<u>62,317</u>	<u>54,931</u>

7. Financial commitments

The general partner of The Recycling Fund LP is entitled to £245,000 per annum for its services for the first 5 years from 1st July 2003 and £200,000 per annum thereafter for up to a further 5 years.

The company has transferred £351,815 to the partnership in the year (2005: £921,945) which includes £351,815 partnership's operating costs (2005: £320,000). It is committed to paying a further £3,397,655 (2005: £3,397,655) towards investments to be made by the fund.

8. Share capital

	2006 £	2005 £
Authorised		
100 ordinary shares of £1 each	<u>100</u>	<u>100</u>
Allotted, called up and fully paid		
1 ordinary share of £1	<u>1</u>	<u>1</u>

9. Control

The ultimate controlling party is The Waste and Resources Action Programme, a company limited by guarantee.