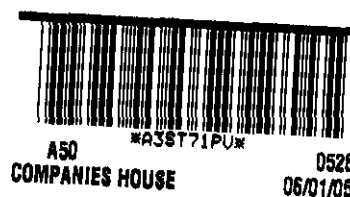


**Company Registration No. 4698093
(England and Wales)**

THE RECYCLING FUND LIMITED
REPORT AND FINANCIAL STATEMENTS
31 MARCH 2004



THE RECYCLING FUND LIMITED

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THE RECYCLING FUND LIMITED

COMPANY INFORMATION

Directors

C J Price
V Cocker
H Etheridge (appointed 20 May 2004)
P Garnham
B Kemp

Secretary

H Etheridge (appointed 19 May 2004)

Registered office

The Old Academy
21 Horse Fair
Banbury
Oxfordshire
OX16 0AH

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

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

THE RECYCLING FUND LIMITED

DIRECTORS' REPORT FOR THE PERIOD ENDED 31 MARCH 2004

The directors present their report and financial statements for the period from incorporation on 14 March 2003 to 31 March 2004.

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	(Appointed 14 March 2003)
C J Plummer	(Appointed 14 March 2003, resigned 12 June 2003)
V Cocker	(Appointed 25 June 2003)
P Garnham	(Appointed 19 June 2003)
B Kemp	(Appointed 29 July 2003)

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 incoming resources for the period amounted to £4,211,398.

Review of activities

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

The Recycling Fund, a venture capital fund, was launched on 1 October 2003 to invest in small and medium sized recycling companies in the UK. The Waste and Resources Action Programme (WRAP), Wastelink Services Ltd, Barclays and Partnerships UK have committed a total of £5.5 million to the fund. Activity to date has focused on promoting the fund, developing networks and reviewing investment opportunities. The managers of the fund are expecting to complete the first investment in 2004/5. The Recycling Fund Limited manages WRAP's contributions.

THE RECYCLING FUND LIMITED

DIRECTORS' REPORT (continued) FOR THE PERIOD ENDED 31 MARCH 2004

Auditors

In accordance with section 385 of the Companies Act 1985, a resolution proposing that Saffery Champness be reappointed as auditors of the company will be put to the Annual General Meeting.

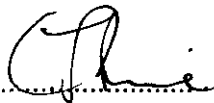
Directors' responsibilities

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.

On behalf of the Board



C J Price
Director

30 November 2004

THE RECYCLING FUND LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS FOR THE PERIOD ENDED 31 MARCH 2004

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.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

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 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 and consider the implications for our report if we become aware of any apparent misstatements within it or material inconsistencies with the financial statements.

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.

THE RECYCLING FUND LIMITED

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS (continued)
FOR THE PERIOD ENDED 31 MARCH 2004**

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company as at 31 March 2004 and of its result for the period then ended and have been properly prepared in accordance with the Companies Act 1985.



Saffery Champness

Chartered Accountants & Registered Auditors

Lion House
Red Lion Street
London
WC1R 4GB

30 November 2004

THE RECYCLING FUND LIMITED**INCOME AND EXPENDITURE ACCOUNT
FOR THE PERIOD ENDED 31 MARCH 2004**

	Note	2004 £
Incoming resources		
Grants receivable from parent company		4,373,750
Interest receivable		<u>143,392</u>
Total incoming resources		<u>4,517,142</u>
 Resources expended		
Amounts written off investments	4	258,750
Administration expenses		13,816
Taxation on interest receivable	2	<u>33,178</u>
Total resources expended		<u>305,744</u>
 Net incoming resources	3	4,211,398
Balance brought forward		<u>-</u>
Balance carried forward at 31 March 2004		<u>4,211,398</u>

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

THE RECYCLING FUND LIMITED**BALANCE SHEET
31 MARCH 2004**

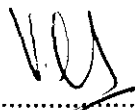
	Note	£	2004 £
Fixed assets			
Investments	4		410
Current assets			
Debtors	5	10,598	
Cash at bank and in hand		<u>4,236,185</u>	
		4,246,783	
Current liabilities			
Creditors: Amounts falling due within one year	6	<u>(35,794)</u>	
Net current assets			4,210,989
Total assets less current liabilities			<u>4,211,399</u>
Capital and reserves			
Called up share capital	8		1
Reserves			<u>4,211,398</u>
			<u>4,211,399</u>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

The financial statements were approved by the Board on 30 November 2004.



C J Price
Director



V Cocker
Director

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

THE RECYCLING FUND LIMITED

NOTES AND ACCOUNTING POLICIES FOR THE PERIOD ENDED 31 MARCH 2004

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.

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.

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 incoming resources

Net incoming resources is stated after charging:

	2004 £
Directors' fees	8,500
Auditors' remuneration	1,250

Directors' fees relate to the services of B Kemp and P Garnham, £4,500 of which were payable to a third party. The costs of the other directors have been absorbed by the parent company, The Waste and Resources Action Programme.

4. Investments

	2004 £
Cost	
Additions in period	259,160
Amounts written off	(258,750)
	<u>410</u>

THE RECYCLING FUND LIMITED

NOTES AND ACCOUNTING POLICIES (continued) FOR THE PERIOD ENDED 31 MARCH 2004

4. Investments (continued)

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 s.242 Companies Act 1985.

Provision has been made to write down the cost of investment as the partnership has not yet made any investments on its own account and the contributions made above principally represent funding for operating costs.

5. Debtors

	2004 £
Amounts falling due within one year:	
Amounts owing by parent undertaking	1
Interest receivable	10,597
	<u>10,598</u>

6. Creditors

	2004 £
Amounts falling due within one year:	
Amounts owing to parent undertaking	1,137
Corporation tax	33,178
Other creditors	10
Accruals and deferred income	1,469
	<u>35,794</u>

7. Financial commitments

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

The company has transferred £259,160 to the partnership to date, principally to fund the partnership's operating costs. It is committed to paying a further £3,999,600 towards investments to be made by the fund.

8. Share capital

	2004 £
Authorised	
100 ordinary shares of £1 each	<u>100</u>
Allotted, called up and fully paid	
1 ordinary share of £1	<u>1</u>

THE RECYCLING FUND LIMITED

**NOTES AND ACCOUNTING POLICIES (continued)
FOR THE PERIOD ENDED 31 MARCH 2004**

9. Control

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