

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

THE RECYCLING FUND LIMITED

REPORT AND FINANCIAL STATEMENTS

31 MARCH 2005



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

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 2005

The directors present their report and financial statements for the year ended 31 March 2005.

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 incoming resources for the period amounted to £107,421 (2004: £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 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 126 potential investments since inception. The Recycling Fund LP completed its first two investments in 2004/5 and the Company contributed £601,945 towards these investments.

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

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.

THE RECYCLING FUND LIMITED

DIRECTORS' REPORT (continued) FOR THE YEAR ENDED 31 MARCH 2005

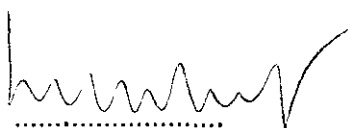
Directors' responsibilities

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



H Etheridge
Secretary

3 June 2005

THE RECYCLING FUND LIMITED

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS FOR THE YEAR ENDED 31 MARCH 2005

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 YEAR ENDED 31 MARCH 2005**

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 2005 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

3 June 2005

THE RECYCLING FUND LIMITED

**INCOME AND EXPENDITURE ACCOUNT
FOR THE YEAR ENDED 31 MARCH 2005**

	Note	2005 £	2004 £
Incoming resources			
Grants receivable from parent company		320,000	4,373,750
Interest receivable		183,899	143,392
Total incoming resources		<u>503,899</u>	<u>4,517,142</u>
Resources expended			
Amounts written off investments	4	320,000	258,750
Administration expenses		23,517	13,816
Taxation on interest receivable	2	51,559	33,178
Total resources expended		<u>395,076</u>	<u>305,744</u>
Net incoming resources	3	108,823	4,211,398
Balance brought forward		<u>4,211,398</u>	-
Balance carried forward at 31 March		<u><u>4,320,221</u></u>	<u><u>4,211,398</u></u>

Comparative figures are for the period from incorporation on 14 March 2003 to 31 March 2004.

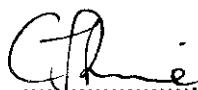
There are no surpluses or deficits for the period other than those reflected above. All activities are continuing.

THE RECYCLING FUND LIMITED

BALANCE SHEET AS AT 31 MARCH 2005

	Note	£	2005 £	£	2004 £
Fixed assets					
Investments	4		602,355		410
Current assets					
Debtors	5	1		10,598	
Cash at bank and in hand		<u>3,772,797</u>		<u>4,236,185</u>	
		3,772,798		4,246,783	
Current liabilities					
Creditors: Amounts falling due within one year	6	<u>(54,931)</u>		<u>(35,794)</u>	
Net current assets			<u>3,717,867</u>		<u>4,210,989</u>
Total assets less current liabilities			<u>4,320,222</u>		<u>4,211,399</u>
Capital and reserves					
Called up share capital	8		1		1
Reserves			<u>4,320,221</u>		<u>4,211,398</u>
			<u>4,320,222</u>		<u>4,211,399</u>

The financial statements were approved by the Board on 3 June 2005.



C J Price
Director

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

THE RECYCLING FUND LIMITED

NOTES AND ACCOUNTING POLICIES FOR THE YEAR ENDED 31 MARCH 2005

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. 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 incoming resources

	2005 £	2004 £
Net incoming resources are stated after charging:		
Directors' fees	12,000	8,500
Auditors' remuneration	2,000	1,250

Directors' fees relate to the services of B Kemp and P Garnham, £6,000 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.

THE RECYCLING FUND LIMITED**NOTES AND ACCOUNTING POLICIES (continued)
FOR THE YEAR ENDED 31 MARCH 2005****4. Investments**

	Other investments
Cost	£
At 31 March 2004	259,160
Additions	921,945
At 31 March 2005	<u>1,181,105</u>
Provisions	
At 31 March 2004	258,750
Additions	320,000
At 31 March 2005	<u>578,750</u>
Net book value	
At 31 March 2004	<u>602,355</u>
At 31 March 2005	<u>410</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. Expenses incurred in identifying suitable investments are written off in the period they are incurred.

5. Debtors

	2005	2004
	£	£
Amounts falling due within one year:		
Amounts owing by parent undertaking	1	1
Interest receivable	-	10,597
	<u>1</u>	<u>10,598</u>

6. Creditors

	2005	2004
	£	£
Amounts falling due within one year:		
Amounts owing to parent undertaking	2,622	1,137
Corporation tax	49,914	33,178
Other creditors	10	10
Accruals and deferred income	2,385	1,469
	<u>54,931</u>	<u>35,794</u>

THE RECYCLING FUND LIMITED

**NOTES AND ACCOUNTING POLICIES (continued)
FOR THE YEAR ENDED 31 MARCH 2005**

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 £921,945 to the partnership in the year (2004: £259,160) which includes £320,000 partnership's operating costs (2004: £258,750). It is committed to paying a further £3,397,655 (2004: £3,999,600) towards investments to be made by the fund.

8. Share capital

	2005	2004
	£	£
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.