



**Ecology**  
Building Society

**Annual Review 2009**  
**Building a greener society**



## Notice of Annual General Meeting

Notice is given that the twenty-ninth Annual General Meeting of the members of Ecology Building Society will be held on Saturday 24 April 2010 at the Royal Agricultural College, Stroud Road, Cirencester, Gloucestershire, GL7 6JS at 11.00am for the following purposes:

1. To receive the Auditors' Report
2. To receive the Directors' Report, Annual Accounts and Annual Business Statement for the year ended 31 December 2009
3. To pass an Ordinary Resolution to appoint KPMG Audit Plc as auditors until the conclusion of the next Annual General Meeting
4. To pass an Ordinary Resolution to approve the Director's Remuneration Report for the year ended 31 December 2009
5. To re-elect the following as Directors of the Society:
  - i. PAUL CHARLES ELLIS [see explanatory note 1]
  - ii. PETER ANTHONY TAYLOR [see explanatory note 2]
  - iii. PAMELA WARING [see explanatory note 3]
6. To transact any other business permitted by the Rules of the Society

By Order of the Board  
Pam Waring, Secretary  
12 March 2010

## Notes on voting

1. These notes form part of the Notice of Meeting.
2. There are three ways you can vote.
  - (i) You can attend the Meeting in person
  - (ii) If you cannot come to the Meeting, you can complete the Proxy Voting Form which appoints someone else (who is known as your proxy) to attend the Meeting and vote on your behalf. You may instruct your proxy how to vote at the Meeting when you complete the Proxy Voting Form.
  - (iii) You can vote online by using the secure facilities at [www.votebyinternet.com/ecology10](http://www.votebyinternet.com/ecology10) where you will need to use the security codes enclosed with this notice. Full instructions on use will be provided on screen.
3. Your proxy does not have to be a member of the Society. He or she cannot vote for you on a show of hands but can vote on a written ballot (known as a poll). Your proxy may not speak at the Meeting but he or she can demand (or join in demanding) a poll.
4. The Proxy Voting Form contains details of who is entitled to vote. You should check Voting Conditions in Section 4 on the back of the Proxy Voting Form.
5. To be valid, your completed form must be received by The Scrutineers no later than 5.00pm on 21 April 2010. Please use the envelope provided (no stamp required).
6. If you appoint a proxy other than the Chair of the Meeting, please ensure that your proxy brings with him, or her, some form of identification to the Meeting.
7. If you prefer to attend the Meeting and vote in person, you should still read the Voting Conditions in Section 4 on the back of the Proxy Voting Form to check your eligibility to vote.

## Explanatory notes

1. Paul Charles Ellis retires by rotation under Rule 26(2) and, being eligible, offers himself for re-election.
2. Peter Anthony Taylor retires by rotation under Rule 26(2) and, being eligible, offers himself for re-election.
3. Pamela Waring retires by rotation under Rule 26(2) and, being eligible, offers herself for re-election.

## Travel Instructions

The Royal Agricultural College is located on the outskirts of Cirencester in the heart of the Cotswolds. The College is easily accessible by train, coach and car from most parts of the UK. For visitors using Satellite Navigation, the College postcode is GL7 6JS.

### By Rail

There are regular train services from London to Kemble Station just 3 miles from the College. The journey takes 1.5 - 2 hours.

It is a three mile taxi ride from Kemble Station to the Royal Agricultural College.

Contact National Rail Enquiries on 08457 484950  
[www.nationalrail.co.uk](http://www.nationalrail.co.uk)

Contact First Great Western on 08457 000125  
[www.firstgreatwestern.co.uk](http://www.firstgreatwestern.co.uk)

### By Coach

There are regular coach services from central London and Heathrow. The journey takes 2 hours 25 minutes.

Contact National Express on 08717 818181  
[www.nationalexpress.com](http://www.nationalexpress.com)

### By Car

From London - M4 motorway, exit at junction 15 and at the roundabout take the A419 to Cirencester. Exit at Cirencester Industrial Area and the college is clearly sign posted.

From Bristol and South Wales - M4 motorway, exit at junction 18 on the northbound A46. Turn onto A433 to Cirencester and the College is about a mile from Cirencester.

From the North - M5 motorway, Exit Junction 11A onto the A417. Exit at Stratton, and follow Stratton road to Cirencester, whereupon the College is clearly signposted.

M40 motorway - Take the A40 to Burford, then B4425 to Cirencester via Fosse Way (A429) from Stow on the Wold. The College is clearly sign posted from the Cirencester by-pass.



## Directors' statements



### **Paul Charles Ellis**

It has been my privilege to serve the Society as Chief Executive since 1995. Needless to say, the conditions that the Society operates in have changed significantly in that time, including a series of waves of regulatory change, a number of societies demutualising and subsequently collapsing, the apparent acceptance of climate change and now it would seem, potentially a move away from this consensus. In that time, one constant has been that your Society has continued to grow and develop while remaining true to its founding ideals. I am determined to ensure that the Ecology emerges from the current difficult market conditions further strengthened with a sustainable,

viable future. My aim is that the Society will continue to expand its services while maintaining strong financial prudence.

While the conditions engendered by the credit crunch have been extremely challenging, they have at the same time provided a fascinating real-world laboratory for testing what happens when banking practice diverges radically from an overriding commitment to public service. I wish to see the Ecology continue to provide a strong testimony for a viable alternative to a financial model predicated solely on satisfying short-term pursuit of profits for shareholders.



### **Peter Anthony Taylor**

The three short years since I was re-elected to the Board by the members at the 2007 Annual General Meeting have seen significant turmoil in the world and particularly in the financial markets. In the UK a number of banks - many of them former building societies before they converted - have been swallowed up. A few societies have also lost their independence. I am pleased to say that your society is in good health and is going about its business effectively and efficiently. I have attended every Board Meeting and have chaired the Risk and Audit Committee of the Board throughout that time.

I joined the Board in 2006 after a long career at another Yorkshire-based Society and, helped by my background as an accountant working in financial services, I feel I have been able to make some sense of what has been happening and put it into the context of your Society. Although small the Ecology still has to follow the strict rules and guidance laid down by our regulator, the Financial Services Authority, and I believe it helps your Executive Directors to have someone on the Board with relevant experience.

Future years will continue to be challenging for us all and I would like to be able to continue to work for the benefit of the members of Ecology Building Society with your valued support. I want to play a part in all that the Ecology stands for.



### **Pamela Waring**

I joined the staff of the Ecology Building Society in 1986, working initially in the savings department and subsequently took responsibility for the Society's finances. I was promoted to Finance Manager in 1993, appointed Secretary in 1996 and joined the board in June 2000.

My responsibilities include overseeing the Savings and Accounts departments, managing the Society's treasury portfolio, personnel issues and ensuring the Society's compliance with various legal requirements. The effect of the credit crunch rippling through

regulation has made the last two years a particularly challenging time and there have been difficult and tough decisions to be made. Whilst my role has been a little more demanding than usual during this period I continue to be proud to play a part in such a unique Building Society and very determined to ensure that we survive these turbulent times.

Being a director gives me the opportunity to be involved with planning the future direction of the Society to which I am fully committed. I am proud of the progress the Society has made and the service it offers and I feel I can continue to make a valuable contribution to this and therefore offer myself for re-election.

## From the Chair



It is now over two years since the demise of Northern Rock signalled the start of the current decline of the banking sector. There cannot be many people who don't feel that they now know much more about financial services than they did before the crisis. The media have given us a blow by blow commentary on the profits of all the largest players in the financial services field and the pay settlements of their executive directors. The UK economy was in recession throughout 2009, so for a whole year there has been negative growth in the economy. From the point of view of climate change, this could even be regarded as beneficial, but without the media highlighting this, that point of view was never likely to prevail. We have therefore continued to live with untrammelled doom and gloom.

It is therefore with pleasure that I can report that despite this negative backdrop, at the Ecology we have had a good year. We have continued to attract more borrowers with exciting projects and as the number of saving members has increased, our balance sheet has grown. Our savings interest rates have dropped, but for accounts existing before 6 April 2009, we have honoured our pledge to keep the rate at least at 1%. This is in stark contrast to the bank where I have my current account, where the savings account I opened some years ago which was their best rated account now only pays 0.5% interest while they have launched a better product with a 3% rate without informing me. While we have launched new savings accounts, as they generally pay lower rates at present, we have not disadvantaged existing members.

There is little sign that any of the problems engendered by the financial crisis will ease in the near future. As public spending cuts increase, and mortgage interest rates probably start to rise again we may well see more borrowing members facing difficulties. So far most of our borrowers do not seem to have encountered huge problems and generally we have been able to work with those where problems have arisen.

We look forward to the coming year with some trepidation. We look to our members to keep us in touch with the reality of the day to day business we are trying to run. While we aim to grow, we want to stay small enough to keep in touch with our roots, and hope that we can continue to cope with the seemingly endless regulation and face the future able to demonstrate that small is beautiful!

**Janet Slade**

Chair

27 February 2010

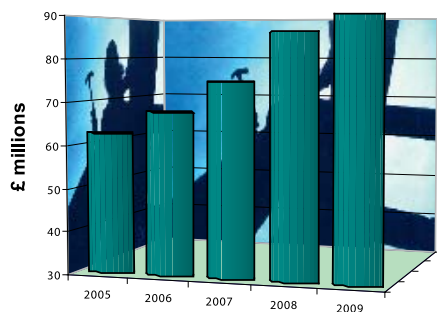
# Chief Executive's review

## Overview

In the conclusion to last year's report, I noted that we could well face more difficult operating conditions in 2009. In many respects that has not proved to be the case. Net lending remained broadly comparable to 2008, savings inflow was again strong and no losses were encountered in the lending and treasury operations. The Society can once again report that lending quality remains very high, with energy efficiency very much to the fore in borrowers' plans.

However, while a degree of stability returned to the financial markets, the underlying global economic conditions remain fragile. This may well impact on the pace and scale of any recovery, and consequently on employment and the housing market. As a result, we must once again strike a cautionary note as we move into 2010, which is reflected in the increased figure for potential mortgage loss provisions.

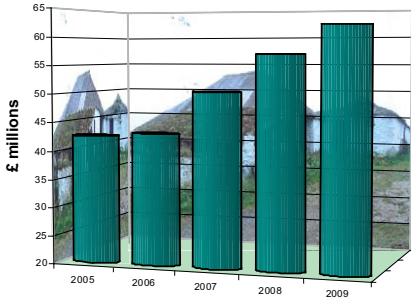
This general picture is elaborated in more detail below in describing the key performance indicators that the Board uses to measure the Society's financial progress, the service that it provides to the members and our impact on the environment and community. As with last year's report, in each of the sections below comment is added in **green** to indicate specific responses to environmental responsibility and good corporate governance.



## Asset growth

In 2009, total assets grew by 9.1% compared to 15.0% in 2008. Asset growth is, in the case of the Ecology, primarily driven by the inflow of retail savings funds. The inflows in 2008 were to some extent exceptional given various bank failures which prompted savers to look for safer homes for their savings. As liquidity had risen to very high levels which impacted on profitability, it became necessary to trim interest rates to keep inflow under control. It is important to ensure that the level of assets held by the Society is adequately supported by

the Society's capital base. Nevertheless, this level of growth is strong given the general difficulty institutions have experienced in attracting deposits. While growth is important to the Society, **the Board's emphasis remains on ensuring that the ecological quality of the mortgage book remains high.**

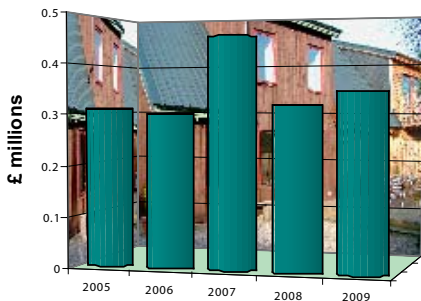


## Mortgage lending

Mortgage asset growth in 2009 amounted to 9.1% (2008: 12.5%). Gross lending for the year was £12.6m (2008: £12.9m), with net lending of £8.8m (2008: £9.3m). This reduction in mortgage asset growth again reflected conditions in the housing market.

Nevertheless, the number of applications the Society received continued to grow throughout the year, creating a strong pipeline for future lending. *With the C-Change Sustainable Homes discount in place, an increasing number of cases come with energy certification in place.*

Total provisions against possible mortgage losses have increased to £170,000 (2008: £52,000). This results from the Society adopting a new provisioning method more aligned to the characteristics of the different types of lending in the Society's book, which is considered prudent in light of market conditions. *The Society does not inflate income multiples as our policy is not to lend beyond what an individual can reasonably afford to repay, a policy which should serve to minimise the number of cases in arrears.*



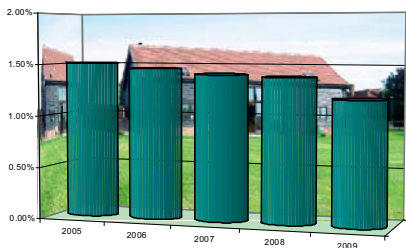
## Profit and capital

The Society aims to generate sufficient profit from its activities to ensure that it has enough capital to underpin its future lending programme and other business assets. *Since it has no shareholders, it does not need to generate excess profits to make dividend payments.*

## Profit after tax

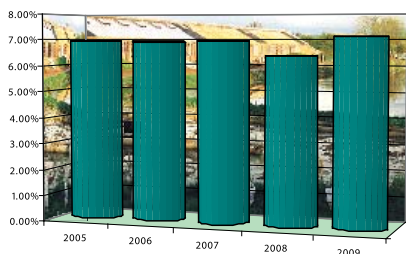
Net profit (surplus) for the year was up at £344,000 (2008: £319,000). The Society needs to maintain healthy profit levels to ensure that

anticipated increases in regulatory capital requirements and potentially higher Financial Services Compensation Scheme (FSCS) levy payments can be accommodated without impacting on the ability of the Society to continue increasing its lending programme.



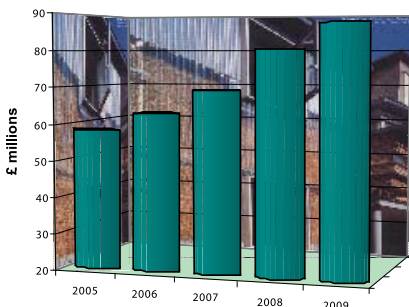
## Management expenses ratio

A significant reduction in the management expenses ratio, to 1.19% (2008: 1.39%), was experienced. While this reflected underlying cost control, an element of this reduction was due to a windfall gain from unfilled posts, an element that will not be repeated in 2010.



## Gross Capital Ratio

Changes in the solvency regime mean that for the present time, the Gross Capital Ratio provides a more comparable measure. During the year the Society acquired further subordinated debt which counts as capital resources and consequently the Gross Capital Ratio increased substantially in 2009 to 7.15% (2008: 6.40%).

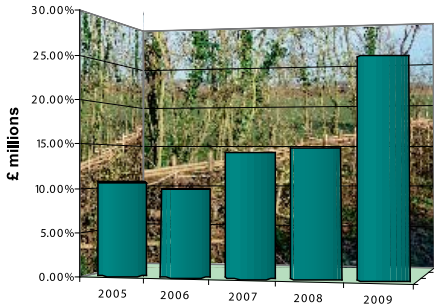


## Savings

Savings balances increased by 8.54% (2008: 15.76%), growing from £80.40 million in 2008 to £87.26 million by the end of 2009. This more modest performance was still very strong given the general picture with retail inflows. The Society continued to benefit from what has been a flight to both transparency and safety. The Society always needs to balance the level of savings inflows against the current level of demand for borrowing. Because of the high level of new funds attracted, it was necessary to dampen inflows in

the second half of the year to ensure that liquidity did not rise to excessive levels because of the impact on capital ratios.

Consequently liquid assets as a percentage of shares and borrowings increased only slightly in percentage terms to 34.83%, up from 34.32% in 2008. The regulatory pressure to hold more liquidity has eased, but it remains a challenge to find counterparties where the Society has confidence in their financial stability. ***It remained the case in 2009 that it was necessary to select counterparties firstly for their financial safety rather than their environmental and ethical track record which remains our established policy.***



## Member relations

The AGM moved to Manchester in 2009 where we held a well attended and successful symposium on Green Money and the Financial Crisis. *We continue our policy of moving the AGM around the country to allow as many members to attend over time and in 2010 we will be in Cirencester.*

This was the first time we had used online voting arrangements and this was a great success. The percentage of votes cast rose to

24.54% from 14.50% in 2009 which was very encouraging. Consequently, this will be a permanent feature of our AGM process and *we will look to develop this method of communication for other aspects of member engagement in future with its potential for greater interaction and resource savings.*

## Directors and staff matters

Stephen Hunt resigned from the Board in 2009 and the Society is looking to recruit a suitable replacement in 2010.

*The Society is fortunate to have a staff team based around a number of long-serving, committed individuals. It is also unique in that it operates a 5:1 salary ratio, where the largest salary paid does not exceed five times the lowest full-time salary paid.*

It has been a very busy year in 2009 for both our savings and mortgage teams. All our colleagues have coped admirably with high business volumes when staff resources have been stretched and the Board would like to extend their thanks to all our staff who have risen to the challenge admirably.

## Our place in the community

*We maintain shareholdings in the Ethical Property Company, the Phone Co-op and Ecos Trust, a leading developer of cutting edge sustainable homes. Our Earthsaver Bond continues to generate donations to the Centre for Alternative Technology and the Welsh Institute of Sustainable Education. In addition we maintain membership of a number of organisations such as UK Social Investors Forum, the International Association of Investors in the Social Economy (INAISE), Bat Conservation Trust, Woodland Trust, Development Trusts Association, the Association for Environment Conscious Building, Schumacher Society, Northern Ireland Environment Link and the Energy Efficiency Partnership for Homes.*

*We have also continued our programme of engagement with and sponsorship of a wide variety of organisations concerned with facets of sustainability. These have included:*

■ *New Economics Foundation*

■ *Future Finance forum of the World Future Council*

■ *Hockerton Housing website*

■ *Funky Junk project, Newtownards*

*The Society continues to provide the administration for the Ethical and Environmental Marketing Group (EEMG), a mutual company bringing together a number of like-minded green companies.*

*The Ecology Building Society Charitable Foundation has now been registered with the Charity Commission. Its prime purpose will be to promote sustainable development.*

*The following are the main issues that received attention as a result of the latest environmental audit:*

■ *New Mechanical and Electrical Contractors have been appointed to install software to the Building Management System in order to maximise the ventilation, and monitor and optimise energy efficiency*

■ *Issues around environment and sustainability are now included in new starter induction process*

■ *Motor Insurance is now placed through an insurer that provides a carbon offset allowance*

*The Environment Policy will be next subject to external review in the first quarter of 2010.*

## **Future development of the Society**

The Society remains confident that it can build on its unique position and characteristics and continue to expand its ecological lending programme, despite the expectation of difficult economic conditions and a period of regulatory change.

We will continue to expand our services to members including our internet offering. We are currently developing a new mini-site ([www.ecostories.co.uk](http://www.ecostories.co.uk)) which will contain items of interest about both savings and borrowing members.

We will continue to work for a financial system that puts people and planet first. Despite the recent attempts to obscure the issues, we will continue to develop our policies in light of the scientific consensus that man-made climate change needs to be tackled urgently.

**Paul Ellis**

Chief Executive

27 February 2010



## Summary financial statement

This financial statement is a summary of information in the audited annual accounts, the directors' report and annual business statement, all of which will be available to members and depositors free of charge on demand from the head office after 12 March 2010.

### Summary directors' report

The business review for 2009 is discussed in the Chief Executive's review on page 7.

### Summary Financial Statements for the year ended 31 December 2009

<b>Results for the year</b>	<b>2009</b>	<b>2008</b>
	£000	£000
Net interest receivable	1,646	1,568
Other income and charges	47	42
Administrative expenses	(1,072)	(1,116)
Provisions	(118)	3
Provisions for FSCS Levy	(39)	(79)
Profit for the year before taxation	464	418
Tax on profit on ordinary activities	(120)	(99)
Profit for the year	344	319
<b>Financial position at end of year</b>	<b>2009</b>	<b>2008</b>
<b>Assets</b>		
Liquid assets	30,394	27,590
Mortgages	62,072	56,976
Fixed and other assets	1,491	1,537
Total assets	93,957	86,103
<b>Liabilities</b>		
Shares	82,181	76,277
Borrowings	5,080	4,118
Other liabilities	459	562
Subordinated liabilities	1,491	744
Reserves	4,746	4,402
Total liabilities	93,957	86,103

### Summary of key financial ratios

	<b>2009</b>	<b>2008</b>
	%	%
Gross capital as a percentage of shares and borrowings	7.15	6.40
Liquid assets as a percentage of shares and borrowings	34.83	34.32
Profit for the year as a percentage of mean total assets	0.38	0.40
Management expenses as a percentage of mean total assets	1.19	1.39

**Gross capital** represents the general reserves and subordinated liabilities as shown in the balance sheet.  
**Liquid assets** are taken from the items so named in the balance sheet.  
The **profit after taxation** is the profit for the year as shown in the income and expenditure account.  
**Management expenses** are the administrative expenses plus depreciation and amortisation for the year as shown in the income and expenditure account.  
**Mean total assets** are the average of the 2009 and 2008 total assets.

**Approved by the Board of Directors on 27 February 2010 and signed on its behalf by**  
J. Slade Chair, P.C. Ellis Director and Chief Executive, P. Waring Director and Secretary

## Independent auditors' statement to the members and depositors of Ecology Building Society

Pursuant to section 76 of the Building Societies Act 1986, we have examined the summary financial statement of Ecology Building Society for the year ended 31 December 2009 set out on page 12 & 13.

This auditors' statement is made solely to the society's members, as a body, and to the society's depositors, as a body, in accordance with section 76 of the Building Societies Act 1986. Our work has been undertaken so that we might state to the society's members and depositors those matters we are required to state to them in such a statement and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the society and the society's members as a body and the society's depositors as a body, for our work, for this statement, or for the opinions we have formed.

### Respective responsibilities of directors and auditors

The directors are responsible for preparing the summary financial statement within the Annual Review 2009 in accordance with applicable United Kingdom law.

Our responsibility is to report to you our opinion on the consistency of the summary financial statement within the Annual Review 2009 with the full annual accounts, Annual Business Statement and Directors' Report and its conformity with the relevant requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

We also read the other information contained in the Annual Review 2009 and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the summary financial statement.

### Basis of opinion

We conducted our work in accordance with Bulletin 2008/3 "*The auditor's statement on the summary financial statement in the United Kingdom*" issued by the Auditing Practices Board. Our report on the society's full financial statements describes the basis of our opinions on those annual accounts, the Annual Business Statement and the Directors' Report.

### Opinion

In our opinion the summary financial statement is consistent with the full annual accounts, the Annual Business Statement and the Directors' Report of Ecology Building Society for the year ended 31 December 2009 and conforms with the applicable requirements of section 76 of the Building Societies Act 1986 and regulations made under it.

Jonathan Holt

**for and on behalf of KPMG Audit Plc, Statutory Auditor, Chartered Accountants**  
1 The Embankment, Neville Street, Leeds LS1 4DW  
**27 February 2010**

## Summary directors' remuneration report

	<b>2009</b>	2008
	<b>Fees</b>	Fees
	£000's	£000's
Janet Slade (Chair)	10	10
Pamela M Parkinson	7	7
Malcolm J Lynch	7	7
David Black	7	5
Tony Taylor	7	8
Stephen Hunt	3	4
Mark Jones	8	6
<b>Totals</b>	<b>49</b>	<b>47</b>

	Fees/ Salary	Profit Related Pay	Taxable Benefits	Contributions to Pension Scheme	Total
	£000's	£000's	£000's	£000's	£000's
<b>2009</b>					
Paul Ellis (Chief Executive)	60	2	3	5	70
Pam Waring (Secretary)	44	2	1	3	50
<b>Totals</b>	<b>104</b>	<b>4</b>	<b>4</b>	<b>8</b>	<b>120</b>

	Fees/ Salary	Profit Related Pay	Taxable Benefits	Contributions to Pension Scheme	Total
	£000's	£000's	£000's	£000's	£000's
<b>2008</b>					
Paul Ellis (Chief Executive)	56	3	3	4	66
Pam Waring (Secretary)	41	3	1	3	48
<b>Totals</b>	<b>97</b>	<b>6</b>	<b>4</b>	<b>7</b>	<b>114</b>

The pension cost represents the contributions made by the Society during the year to the directors' individual personal pension plans. A contribution of 8% of gross salary is paid in respect of PC Ellis and P Waring.

### Remuneration policy

The Society has a long established policy that no basic salary will exceed a maximum of five times the lowest full grade available.

The Society makes contributions to a group personal pension for each member of staff. A death in service scheme is operated which pays a lump sum of four times basic salary. A profit related pay scheme is also in place. These arrangements apply equally to all qualifying staff, with no enhanced arrangements for senior management.

## Savings interest rates during 2009

	1.1.09	AER/Gross pa % 16.2.09	6.4.09
<b>Ordinary Share</b>	1.00	1.00	1.00
<b>Ordinary Deposit</b>	1.00	1.00	1.00
<b>Eco-Instant and Corporate Deposit</b>			
£1 - £499	1.00	1.00	1.00
£500 - £4,999	1.00	1.00	1.00
£5,000 - £9,999	1.00	1.00	1.00
Over £10,000	1.20	1.00	1.00
<b>Charity Deposit</b>	1.55	1.25	1.00
<b>Earthsaver Bond Issue 2 and Issue 3</b>			
£500 - £4,999	2.00	2.00	2.00
£5,000 - £9,999	2.25	2.10	2.00
Over £10,000	2.50	2.20	2.00
<b>Eco-60 Share</b>			
£500 - £2,499	1.35	1.10	1.00
£2,500 - £4,999	1.60	1.25	1.00
£5,000 - £9,999	1.85	1.50	1.00
£10,000 - £24,999	2.10	1.75	1.25
£25,000+	2.35	2.00	1.50
<b>Earthwise Cash ISA</b>	2.00	1.00	1.00
Including annual bonus	3.00	2.00	1.50
<b>Foundation Supporters</b>	3.00	2.00	2.00
<b>Foundations Share</b>	–	–	1.00
<b>Foundations Cash ISA</b>	–	–	1.00
<b>Foundations Deposit</b>	–	–	1.00

Interest is paid or credited after deduction of income tax at the appropriate rate. All interest rates are quoted gross. AER stands for Annual Equivalent Rate and provides a means of comparing interest rates by showing what the rate would be if interest were paid and added once a year.

## Mortgage interest rates during 2009

Basic Variable Mortgage Rate	1.1.09	4.65%
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## Bank of England Base rate during 2009

1.1.09	8.1.09	5.2.09	5.3.09
2.00%	1.50%	1.00%	0.50%

Please contact the office for current interest rates or visit our website [www.ecology.co.uk](http://www.ecology.co.uk).



Ecology Building Society  
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West Yorkshire  
BD20 0EE

T 0845 674 5566 F 01535 650780  
E [info@ecology.co.uk](mailto:info@ecology.co.uk) W [www.ecology.co.uk](http://www.ecology.co.uk)

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