Working together for a world without waste

# Waste & Resources Action Programme Annual Report and Consolidated Accounts for the year ended 31 March 2011

Company Registration No. 4125764
(England and Wales)

WRAP's vision is a world without waste, where resources are used sustainably.

We work with businesses, individuals and communities to help them reap the benefits of reducing waste, developing sustainable products and using resources in an efficient way.

Find out more at [www.wrap.org.uk](http://www.wrap.org.uk)

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## Chairman's Statement

Over the past year, approaching the end of our 2008-11 Business Plan, WRAP continued to find new ways to help UK plc. make better use of its resources. We achieved this through our unique combination of proven expertise built up over a decade, and provision of practical support which makes a real difference.

This past year has been a challenging one with new Governments, waste reviews, and of course economic stringency. Throughout, WRAP has maintained its single-minded focus on doing what we do best, at best value. At the same time we continue to look for innovative new funding streams from both the UK and Europe to diversify our income streams.

The exact nature of WRAP's unique added value became palpably clear during the consultation we carried out among our key stakeholders - including our funders - as part of the planning for our new Business Plan for 2011-15. When we asked what it was they valued most about WRAP, the answer was common and clear: it was the combination of the depth of WRAP's expert research-based insights, and our ability to bring people - sometimes whole sectors - together to find and deliver solutions to thorny problems.

I am pleased to report that all of the Governments across the UK continue to value WRAP's work, viewing us as a critical delivery partner in achieving their resource efficiency objectives – not least for the green jobs that this work creates.

Time and again over the past year we have demonstrated our ability to influence sectors of the economy, throughout the supply chain, to work together and improve resource efficiency. For example, more than 600 contractors, suppliers and clients throughout the construction sector signed up to our 'Halving Waste to Landfill' initiative.

The launch of the UK's first facility for recycling mixed plastics at Redcar by Greenstar - now Biffa Polymers - provided a perfect example of WRAP in action: for years the received wisdom had been that there was no environmental or economic case for recycling mixed plastics. First, WRAP proved this wrong through world-leading research, then we funded a pilot project to prove it worked in practice and finally we provided £1.1 million capital support for the plant to be built – creating jobs in the process.

Later this year WRAP will publish a Business Plan Review outlining how we performed against the previous Business Plan targets, which I am confident will bring these achievements to life quite vividly.

WRAP is committed to designing bespoke solutions to meet the challenges of our funders in all of the UK nations, and it is a priority for the coming Business Plan period to become even more customer-focused. We value the money our funders provide and the confidence they show in our ability to deliver.

Finally, I would like to thank WRAP's Chief Executive, Liz Goodwin, and her dedicated staff, for their commitment and hard work over the past year, not least in managing a considerable reduction in WRAP's budget. I would like to thank the WRAP Board for their tireless support, and make special mention of Executive Director Phillip Ward, who retired during the year, for his exceptional contribution.

Peter Stone
Chairman
August 2011

## Directors' Report

The directors present their report and financial statements for the year ended 31 March 2011.

### Principal activities

WRAP was established in 2000 to promote resource efficiency and sustainable waste management, in particular creating stable and efficient markets for recycled materials and products. WRAP is a not-for-profit company limited by guarantee and works with the public, private and community sectors, undertaking activities throughout the UK with funding from the Department for Environment, Food and Rural Affairs (Defra), the Scottish Government, the Welsh Government and the Northern Ireland Executive. WRAP also administers funds on behalf of Advantage West Midlands (a Regional Development Agency) to run a programme of Market Development until 2013.

In 2008, WRAP launched a 3 year Business Plan which set out ambitious headline targets to help reach its vision of a world without waste. These targets were to:

- Divert 8 million tonnes of waste materials from landfill.
- Save 5 million tonnes of $CO_2$ equivalent emissions.
- Generate £1.1 billion of economic benefits to business, local authorities and consumers.

To achieve these targets WRAP's work has focused on four priority areas: packaging, food waste, collections and quality of materials. 2010/11 was the last year of this business plan. Although the UK continued to experience an economic downturn which has affected its work to grow the recycling sector, good progress has been made in achieving reductions in construction, packaging and food waste and in reaching the overall targets.

- WRAP made available £3.5 million to support local authorities in England with the introduction of new food waste collection services or expansion of existing food waste collection services.
- 116 organisations signed up to use WRAP's On-Pack Recycling Label, representing over 60,000 product lines.
- In Scotland WRAP helped increase organics recycling capacity by 160,000 tonnes, including investing in Scotland's largest anaerobic digestion facility.
- WRAP created a world-leading carbon-based approach to measuring recycling performance on behalf of the Scottish Government.
- WRAP announced the results from its voluntary agreement, the Courtauld Commitment, which saw the UK's grocery sector prevent 1.2 million tonnes of food and packaging waste from entering the household waste stream.
- More than two million cubic metres of water have been saved by UK food and drink manufacturers through the Federation House Commitment.
- Wales's first commercial-scale anaerobic digestion plant at RF Brookes in Rogerstone, part of the Premier Foods Group Ltd, was built by Insource Energy (Rogerstone) Ltd who were awarded funding to convert 10,000 tonnes food waste a year into energy, which will help power the ready meals factory.
- WRAP Northern Ireland managed the Department of Environment's innovative £4.2m Rethink Waste Fund, providing capital funding to Councils to develop and improve recycling infrastructure in Northern Ireland. This will deliver 85,000 tonnes of landfill diversion and prevent 41,000 tonnes $CO_2$ equivalent emissions over a three-year period.

An independently-reviewed report evaluating WRAP's final achievement against the targets set out in the business plan will be published in the autumn.

The Group's total income for the year was £79.9m (2010: £81.1m). Of this, £77.2m (2010: £76.9m) was spent on programmes. Management and administration costs for the year were £2.7m (2010: £2.3m) representing 3.4% (2010: 2.9%) of incoming resources after the direct costs associated with delivery of the programmes have been allocated to their relevant projects.

## Directors' Report (continued)

In 2009/10, following a review by Defra of its delivery landscape, six delivery programmes were transferred into WRAP. During the past year WRAP has worked with Defra to realise cost savings in its programmes in line with the Coalition government's Spending Review. Funding has been agreed for 2011/12 at a level which, though lower than in recent years, enables WRAP to embark on a new business plan confident of its ability to deliver against ambitious new goals.

During the last year the Scottish Government completed a review of its delivery landscape and has commissioned WRAP to deliver its Zero Waste Scotland programme. A number of programmes have been transferred and the appropriate staff have been transferred under TUPE regulations.

WRAP continues to deliver programmes for the Welsh Government and the Northern Ireland Government.

Group cash and bank holdings at the year-end were £31.8m (2010: £31.1m). The amount of cash held by WRAP was £19.4m (2010: £22.3m) against invoices payable and accruals at that date. The remaining cash was held by three subsidiary companies that have been created in relation to specific programme activities (as set out in note 9 of the accounts). The Accelerating Growth Fund Limited provides loan finance to support the development of recycling infrastructure. Funds were increased during the year principally to provide support for the development of infrastructure for anaerobic digestion. Cash available at 31 March 2011 was £8.3m (2010: £3.8m). eQuip RVG Limited held cash of £2.5m (2010: £2.6m) to support current and future guarantees given in respect of the lease guarantee scheme.

WREB (The Waste and Resources Environmental Body Limited) held cash of £1.6m (2010: £2.4m). This included funds retained to fund monitoring costs for the Shotton Paper project for the next two years and a repayment from UPM-Kymmene (UK) Ltd. On 26 May 2009 UPM-Kymmene (UK) Ltd. repaid £2,225,200 to WREB to enable it to claim payments in respect of renewable obligation certificates. This money has been held pending clearance by HM Revenue and Customs and will be repaid to the original funding bodies (including WRAP) in proportion to the original amount donated. Since 31 March 2011 clearance has been received from HMRC and repayment has taken place.

During 2009/10 the Company entered into contracts to provide capital grant funding for the building of six anaerobic digestion plants. WRAP will hold title to the elements of the plants that it is funding for the duration of the projects but thereafter the contractors have a legal obligation to purchase these elements back at an agreed market value. Because all the risks and rewards of ownership of the anaerobic digestion plants rest with the contractor, the costs incurred by WRAP have been reflected as a debtor in the accounts. The directors however consider that the market value (having taken into consideration the costs of removal) is uncertain and have therefore decided to provide fully against the debtor.

WRAP is a non-profit making body and any remaining Government grant funds or assets will ultimately be returned to Government if they are not required to fulfil programme objectives. Principal risks and uncertainties relate to the level of future funding from national governments and other sources. Funding commitments are in place for this financial year with strong indications of future funding for the length of the new business plan period ending in 2015.

### Environmental Report

WRAP continues to actively manage its direct environmental impacts through an ISO14001 certified management system. The system also recognises the significant impact WRAP has through its work in supporting resource efficiency, recycling and waste minimization. Overall, the environmental benefit derived from these activities is far greater than the environmental footprint of WRAP's own operations. These impacts include its contribution to reducing greenhouse gas emissions and WRAP's goals make an important contribution to the UK's plans to tackle climate change.

As an organisation, WRAP must also ensure that the actual process of delivering this success has a low environmental risk and impact and maximises the benefit it delivers.

WRAP reviews a range of environmental aspects of its work to identify those with the greatest significance. These are then controlled through appropriate means. Indicators reviewed include aspects of its projects and its direct impacts through materials consumed, waste arisings, energy consumption and transport (both business and commuting).

In 2010-11, WRAP's objective was to continue to reduce the amount of business miles travelled by 10% compared to the previous year.

In both Wales and England WRAP's travel decreased sharply, by 17% and 5% respectively. However, due to an increase in staff numbers and activity, travel in Scotland increased by 259% compared to the previous year.

WRAP's greenhouse gas emissions are offset through a carbon offset arrangement. It also offsets carbon emissions resulting from delegates travelling to events which are organised by WRAP, where travel details are provided.

Over the course of the next Business Plan WRAP anticipates setting targets relating to the amount of waste produced directly from its activities, the amount of commuting its employees do (which accounts for 50% of travel related carbon emissions) and employees' personal carbon impacts. These will build on previous successful objectives to reduce WRAP's waste arisings and travel impacts.

WRAP remains committed to reducing its negative environmental impacts while optimising the beneficial environmental impacts it has through its projects and day-to-day activities.

## Employment policies

The Group operates a programme to inform and educate all staff on matters of a Company nature by means of briefings, seminars and individual training.

Employees are involved on a regular basis in discussions related to their specific interests and staff are encouraged to take an active interest in all aspects of the Company's performance.

The Group actively encourages applications from all suitably qualified applicants, regardless of religion, age, gender, disability or race. All employees receive necessary assistance with initial training courses and once employed, performance management and personal development meetings help in developing a career plan so as to ensure suitable opportunities for everyone. Arrangements are made where possible for retraining employees who become disabled, to enable them to perform work identified as appropriate to their aptitudes and abilities.

## Guarantee status

The liability of the members of the Company is limited to an amount not exceeding £1 per member.

## Disclosure of information to auditors

The directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditors are unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

## Auditors

Pursuant to Section 487 of the Companies Act 2006 the Auditors will be deemed to be reappointed and KPMG LLP will therefore continue in office.

By order of the Board.
Jonathan Lea
Director
August 2011

Company Number 4125764

## Corporate Governance Report

The Company is not a listed company and is not required to comply with the requirements of the Combined Code on Corporate Governance. However, the Company wishes to adopt best practice and to report on corporate governance issues.

The Company has complied, to the extent relevant, throughout the last financial year with the provisions of the Code of Best Practice set out in Section 1 of the Combined Code.

### Statement of Compliance

The Company applies the relevant Principles of Good Governance in Section 1 of the Combined Code as set out below.

- The Board meets regularly.
- There is a clear division of responsibilities between the Chairman and the Chief Executive Officer.
- The Board includes a majority of independent non-executive directors.
- There is a formal procedure for the appointment of new directors.
- The Board is supplied in a timely manner with sufficient information to discharge its duties.
- The Board undertakes an evaluation of its effectiveness.
- Directors submit themselves for re-election every 3 years.
- The non-executive directors meet as necessary without the executive directors present.

In view of the nature of the Company, the Board considers it unnecessary to nominate a senior independent non-executive director.

### The Board

The Board comprises the Chairman, the Deputy Chairman, two executive directors, seven independent non-executive directors, and one appointee by Defra. The Scottish and Welsh Governments may each appoint a member of the Board.

The Board is responsible for:

- determining the Company's strategy;
- approving the medium term business plan;
- approving the annual budget;
- monitoring the Company's performance;
- monitoring the business risks; and
- examining the health and safety issues of the Company.

Executive management supplies the Board with appropriate and timely information and the directors are entitled to seek any further information they consider necessary.

The Board met five times in the year to 31 March 2011.

### Executive Committee

The Executive Committee comprises the Chief Executive Officer and the executives listed on page 14. The Committee is responsible to the Board for day-to-day operations. Individual matters that are novel or contentious are referred to the Board.

### Audit Committee

The Audit Committee comprises three non-executive directors, namely Tim Sweeney (Chairman), Bob Chilton and Andy Hinton. The Committee met twice during the year ended 31 March 2011, with the external auditors present at both meetings. The Chief Executive Officer and Chief Financial Officer attended both meetings during the year.

The main responsibilities of the Audit Committee are to:

- monitor the integrity of the financial statements;
- review the Company's internal financial controls and the Company's control and risk management systems;
- make recommendations to the Board on the appointment and remuneration of the external auditors; and
- review the independence of the external auditors.

## Nominations and Remuneration Committee

The Committee comprises five non-executive directors, namely Peter Stone (Chairman), Tony Elmer, Tim Sweeney, Jenny Watson and Maggie Jones. The Committee met once during the year to 31 March 2011. The main responsibilities of the Committee are to:

- review the remuneration of the executive directors;
- establish a procedure for the appointment of directors; and
- oversee the process of the appointment of directors.

## Attendance at meetings

Table 1 sets out the number of Board and Committee meetings held during the year, and the attendance of each director. It should be emphasised that this information does not fully reflect the contribution made to the Company's business by many of the directors who have also attended other meetings and events relating to the Company's business during the year.

Table 1: Meetings attended

| | **Board** | **Audit Committee** | **Nominations & Remuneration Committee** |
|---|---|---|---|
| **Number of meetings held** | **5** | **2** | **1** |
| Bob Chilton | **5** | **2** | **-** |
| Tony Elmer | **5** | **-** | **1** |
| Hugh Etheridge | **2/2** | **-** | **-** |
| Liz Goodwin | **5** | **-** | **-** |
| Andy Hinton | **5** | **2** | **-** |
| Maggie Jones | **5** | **-** | **1** |
| Jonathan Lea | **3/3** | **-** | **-** |
| Ian Mitchell | **2/3** | **-** | **-** |
| David Palmer-Jones | **4** | **-** | **-** |
| Peter Stone | **5** | **-** | **1** |
| Tim Sweeney | **5** | **2** | **1** |
| Neil Thornton | **5** | **-** | **-** |
| Phillip Ward | **5** | **-** | **-** |
| Jenny Watson | **4** | **-** | **1** |
| Clare Whelan | **5** | **-** | **-** |

## Corporate Governance Report (continued)

### Relations with stakeholders

The Company regularly consults with its stakeholders and, through a series of stakeholder meetings, their views are taken into account in its business planning process. It welcomes input from its stakeholders on an on-going basis.

### Maintenance of a sound system of internal control

The Board is responsible for the Company's system of internal control and for reviewing its effectiveness. Such a system is designed to minimise the risk of failure to achieve business objectives, and can only provide reasonable and not absolute assurance against material misstatement or loss.

The Audit Committee assists the Board in discharging its review responsibilities as described in the section headed Audit Committee on page 8.

The main features of the Company's risk and control framework are outlined below.

- The Company's Business Plan, including the annual budget, is discussed and approved by the Board. An update on progress and a forecast for the remainder of the financial year is given at each Board meeting.
- Matters needing the Board's attention are clearly defined: financial procedures, procurement procedures and authorisation levels are set by, and any changes approved by, the Audit Committee. Appropriate reporting procedures have been established.
- Risk assessments are made by staff from across all of the Company's programmes. The results of these assessments are discussed and kept under regular review by the senior management team and reported to the Audit Committee. A risk register is regularly updated.
- The Chairman of the Audit Committee reports the outcome of Audit Committee meetings to the Board.
- The Company has established a whistleblowing policy whereby staff may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

The Board has reviewed the effectiveness of the Company's systems of internal control for the financial year 2010/11 and up to the date of approval of the annual report and accounts. The Company is committed to the development and enhancement of existing systems of internal control and risk management as appropriate for the Company and its activities.

### Statement of directors' responsibilities in respect of the Directors' Report and the financial statements

The directors are responsible for preparing the Directors' Report and 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 they have elected to prepare the Group and Parent Company financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and Parent Company and of their profit or loss for that period.

In preparing these financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Group and Parent Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Parent Company's transactions and disclose with reasonable accuracy at any time the financial position of the Parent Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Jonathan Lea

Director

August 2011

## Nominations and Remuneration Committee Report

In view of the size of the Company, it is considered appropriate to combine the roles of the Nominations Committee and Remuneration Committee.

The Nominations and Remuneration Committee comprises five non-executive directors, namely Peter Stone (Chairman), Tony Elmer, Maggie Jones, Tim Sweeney and Jenny Watson. The Chairman of the Committee and its members are appointed by the Board, which also agrees the overall terms of reference of the Committee.

The Committee deals explicitly with the compensation arrangements of the Board. It is also responsible for establishing and maintaining a procedure for the selection and appointment of directors.

### Nominations

The Committee has agreed a procedure for the selection of non-executive directors, which will accord with the following principles.

- Posts will be publicly advertised in a national newspaper and relevant industry publications. The advertisement (and the supporting information for candidates) will make it clear what specialist expertise is required, depending on the need to replace the expertise of the retiring Board members, and to take account of any additional requirements.
- The advertisements will make it clear that WRAP is committed to diversity and welcomes applicants irrespective of their sex, ethnic origin or physical disabilities.
- An independent individual – who is skilled in the making of similar non-executive appointments – will be included on the interview panel.
- The interview panel will proceed by consensus so far as possible, but with no member having a veto.
- Candidates will be provided with a decision as quickly as possible after the interview, and information will be made publicly available about the appointments made, which will include any other relevant positions held by those appointed.

### Remuneration

The main objectives of the Company's remuneration policy are to provide a remuneration package that will attract, retain and motivate individuals of an appropriate calibre.

Performance related pay is based on achievement of specific objectives measured between January and December 2010.

Expenses are reimbursed to the extent that they have been incurred, wholly, necessarily and exclusively for the purposes of the business.

Expenses incurred in the year by the executive directors amounted to £19,596 (2010: £17,433) and by the non-executive directors £2,305 (2010: 2,905).

The remuneration of the directors for the year to 31 March 2011 was as follows:

| | Salary £'000 | Benefits £'000 | Performance Related Pay £'000 | **Total 2010/11 £'000** | Total 2009/10 £'000 |
|---|---|---|---|---|---|
| **Executive** | | | | | |
| Liz Goodwin | 163 | 1 | 21 | **185** | 184 |
| Hugh Etheridge | 32 | - | 2 | **34** | 130 |
| Phillip Ward | 122 | 1 | 10 | **133** | 127 |
| Jonathan Lea | 90 | - | 7 | **97** | - |

In addition the Company made defined contributions to pension schemes and other pension related payments in respect of executive directors as follows.

| | **2010/11 £'000** | 2009/10 £'000 |
|---|---|---|
| Liz Goodwin | **28** | 24 |
| Hugh Etheridge | **5** | 15 |
| Phillip Ward | **15** | 15 |
| Jonathan Lea | **11** | - |

The executive directors have service contracts which are terminable by the Company and the individuals at six months' notice.

The remuneration of the non-executive directors for the year to 31 March 2011 was as follows:

| | **Fees 2010/11 £'000** | Fees 2009/10 £'000 |
|---|---|---|
| **Non-Executive** | | |
| Michael Averill | **-** | 3 |
| Robert Chilton | **14** | 14 |
| Tony Elmer | **14** | 14 |
| Kim Fellows | **-** | - |
| Andy Hinton | **14** | 15 |
| Maggie Jones | **14** | 14 |
| David Palmer-Jones | **14** | 11 |
| Peter Stone | **50** | 50 |
| Tim Sweeney | **14** | 14 |
| Neil Thornton | **-** | - |
| Kay Twitchen | **-** | 3 |
| Jenny Watson | **14** | 14 |
| Clare Whelan | **14** | 11 |

None of the non-executive directors has a service contract.

Peter Stone
Committee Chairman
August 2011

## Board of Directors

The directors who served throughout the year were Peter Stone, Robert Chilton, Tony Elmer, Liz Goodwin, Andy Hinton, Maggie Jones, David Palmer-Jones, Tim Sweeney, Neil Thornton, Phillip Ward, Jenny Watson and Clare Whelan.

Ian Mitchell was appointed to the Board as the representative of the Scottish Government on 8 September 2010. He stood down from the Board on 13 April 2011.

Hugh Etheridge retired from the Board on 30 June 2010. He was succeeded on 1 July 2010 by Jonathan Lea. Philip Ward retired on 31 March 2011.

Peter Stone was elected to the Board more than 30 months ago and therefore submits himself for re-election at the forthcoming Annual General Meeting. Tony Elmer and Tim Sweeney have indicated that they will retire from the Board, after completing ten years' service, before the forthcoming Annual General Meeting.

### The Executive Committee

This comprises Liz Goodwin, Jonathan Lea (from 1 July 2010), Phillip Ward (retired 31 March 2011), Richard Swannell, Steve Creed, Nick Gammage, Iain Gulland and Marcus Gover.

## Independent Auditor's Report to the Members of The Waste & Resources Action Programme Limited

We have audited the financial statements of The Waste & Resources Action Programme Limited for the year ended 31 March 2011 set out on pages 16 to 27. The financial reporting framework that has been applied in their preparation is applicable law and UK Accounting Standards (UK Generally Accepted Accounting Practice).

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. 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.

### Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on pages 10 and 11, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's (APB's) Ethical Standards for Auditors.

### Scope of the audit of the financial statements

A description of the scope of the audit of financial statements is provided on the APB's website at www.frc.org.uk/apb/scope/private.cfm.

### Opinion on financial statements

In our opinion the financial statements:

- give a true and fair view of the state of the Group and Parent Company's affairs as at 31 March 2011 and of the Group's surplus for the year then ended;
- have been properly prepared in accordance with UK Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

### Opinion on other matters prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Parent Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Parent Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

B J Stapleton (Senior Statutory Auditor)

for and on behalf of KPMG LLP
Statutory Auditor
Chartered Accountants
Altius House, 1 North Fourth Street,
Milton Keynes, MK9 1NE
August 2011

## Income and Expenditure Accounts for the year ended 31 March 2011

| | Note | Group 2011 £'000 | Group 2010 £'000 | Company 2011 £'000 | Company 2010 £'000 |
|---|---|---|---|---|---|
| **Incoming resources** | | | | | |
| Grants | | **79,383** | 78,834 | **79,357** | 78,680 |
| Project income | **2** | **520** | 2,225 | **482** | 2,221 |
| **Total incoming resources** | | **79,903** | 81,059 | **79,839** | 80,901 |
| **Resources expended** | | | | | |
| Direct programme costs | | **64,927** | 64,959 | **64,913** | 66,548 |
| Direct staff costs and overheads | | **12,263** | 11,952 | **12,263** | 11,952 |
| **Direct expenditure** | | **77,190** | 76,911 | **77,176** | 78,500 |
| Staff costs and overheads | | **14,945** | 14,286 | **14,943** | 14,283 |
| Attributable to programmes | | **(12,263)** | (11,952) | **(12,263)** | (11,952) |
| **Indirect expenditure** | | **2,682** | 2,334 | **2,680** | 2,331 |
| **Operating surplus / (deficit)** | | **31** | 1,814 | **(17)** | 70 |
| Interest receivable | **3** | **117** | 148 | **21** | 45 |
| Interest payable | **4** | **(6)** | (9) | **-** | (1) |
| **Operating surplus on ordinary activities before taxation** | | **142** | 1,953 | **4** | 114 |
| Taxation on surplus on ordinary activities | **5** | **(24)** | (344) | **(4)** | (296) |
| **Surplus/(deficit) for the financial year** | **6** | **118** | 1,609 | **-** | (182) |

A Statement of Total Recognised Gains and Losses has not been prepared as the Group has no recognised gains or losses other than those reported above. All results are from continuing operations. The notes on pages 19 to 27 form part of the financial statements.

## Balance sheets as at 31 March 2011

| | Note | **Group 2011 £'000** | Group 2010 £'000 | **Company 2011 £'000** | Company 2010 £'000 |
|---|---|---|---|---|---|
| **Fixed assets** | | | | | |
| Tangible | **8** | **278** | 194 | **278** | 194 |
| Investments | **9** | **175** | - | **-** | - |
| | | **453** | 194 | **278** | 194 |
| **Current assets** | | | | | |
| Debtors | **10** | **6,880** | 934 | **6,252** | 1,601 |
| Cash in bank and in hand | | **31,819** | 31,072 | **19,413** | 22,307 |
| | | **38,699** | 32,006 | **25,665** | 23,908 |
| Creditors: Amounts falling due within one year | **11** | **(24,950)** | (23,796) | **(25,136)** | (23,908) |
| **Net current assets** | | **13,749** | 8,210 | **529** | - |
| **Total assets less current liabilities** | | **14,202** | 8,404 | **807** | 194 |
| Creditors: Amounts falling due after more than one year | **12** | **(278)** | (194) | **(278)** | (194) |
| Provision for liabilities and charges | **13** | **(7,054)** | (1,458) | **(529)** | - |
| **Net assets** | | **6,870** | 6,752 | **-** | - |
| **Residual interest** | | | | | |
| Designated funds | **14** | **6,870** | 6,752 | **-** | - |
| | | **6,870** | 6,752 | **-** | - |

Approved by the Board on August 2011 and signed on its behalf by

Liz Goodwin, Chief Executive Officer

Company number 4125764

The notes on pages 19 to 27 form part of the financial statements.

## Group cashflow statement for the year ended 31 March 2011

| | Note | Group 2011 £'000 | Group 2010 £'000 |
|---|---|---|---|
| **Net cash inflow from operating activities** | **(i)** | **836** | 5,964 |
| **Returns on investments and servicing of finance** | | | |
| Interest received | | **115** | 424 |
| Interest paid | | **(6)** | (4) |
| | | **109** | 420 |
| **Taxation** | | **(44)** | (173) |
| **Capital expenditure** | | | |
| Purchase of tangible fixed assets | | **(229)** | (76) |
| Purchase of investments | | **(175)** | - |
| Capital grants received | | **229** | 76 |
| Disposal of fixed assets | | **21** | 19 |
| | | **(154)** | 19 |
| **Increase in cash in the year** | | **747** | 6,230 |
| Net funds brought forward | | **31,072** | 24,842 |
| **Net funds carried forward at 31 March** | **(ii)** | **31,819** | 31,072 |
| **(i) Reconciliation of operating surplus to operating cash flows** | | | |
| Operating surplus | | **31** | 1,814 |
| Depreciation charges | | **149** | 161 |
| Provisions for liabilities and charges | | **5,596** | (136) |
| Release of capital grant | | **(145)** | (183) |
| (Profit)/loss on disposal of fixed assets | | **(25)** | 2 |
| (Increase)/decrease in debtors | | **(5,944)** | 1,436 |
| Increase in creditors | | **1,174** | 2,870 |
| **Net cash inflow from operating activities** | | **836** | 5,964 |

| | 1 April 2010 £'000 | Cashflow £'000 | 31 March 2011 £'000 |
|---|---|---|---|
| **(ii) Analysis of net funds** | | | |
| Cash in bank and in hand | **31,072** | **747** | **31,819** |

# Notes to the accounts for the year ended 31 March 2011

## 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 16 to 27 and which have been prepared under the historical cost convention, and in accordance with applicable accounting standards.

### 1.1 Basis of consolidation

The consolidated financial statements include the financial statements of the Company and all its subsidiaries ("the Group").

### 1.2 Going Concern

The Group's business activities, together with the factors likely to affect its future development, performance and position are set out in the Directors' Report on pages 5 to 7. The financial position of the Group, its cash flows and liquidity position are also described in the Directors' Report and the financial statements. As highlighted in the financial statements, the Group meets its day-to-day working capital requirements through funding received from the national and devolved Governments. Whilst the current economic and political conditions may create uncertainty over the level of future funding, the Group's grant income is confirmed by its funders on an annual basis up to the end of each financial year. The Directors have reviewed the Group's obligations and have concluded that the Group is able to meet all its liabilities as they fall due. The directors therefore have a reasonable expectation that the Group has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis of accounting in preparing the annual financial statements.

### 1.3 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. Grants for capital expenditure are carried forward as deferred income and released to the Income and Expenditure Account over the lives of the related fixed assets.

### 1.4 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. Because of its sales of home composting bins, the Company is registered for VAT and accordingly expenditure excludes recoverable VAT. Any VAT reclaimed is apportioned between funders and repaid as appropriate. Management and administration costs are stated after the direct costs associated with delivery of the programmes have been allocated to their relevant projects. The support costs to be attributed to programmes are established with reference to the proportion of staff working directly on project based activities.

### 1.5 Leases

Operating lease rentals are charged to the profit and loss account on a straight line basis over the period of the lease.

### 1.6 Taxation

The charge for taxation is based on the surplus/(deficit) for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes to the extent that the recovery can be foreseen within a reasonable timescale.

### 1.7 Tangible fixed assets

Depreciation is provided on all fixed assets at rates calculated to write-off the cost of each asset evenly over its expected useful life, as follows:

| | |
|---|---|
| Fixtures and fittings: | 20% on cost |
| Office equipment: | 33% on cost |
| Motor vehicles: | 33% on cost |

Project assets are evaluated on an individual basis and written-off over the life of the project.

## Notes to the accounts for the year ended 31 March 2011 (continued)

### 1.8 Pension costs

Pension costs represent the costs of providing defined contribution retirement benefits under personal pension arrangements and are charged as incurred.

### 1.9 Provisions

Provision is made for the potential shortfalls in residual values of assets underwritten by the eQuip scheme, based on the directors' current projections of the probable cost. During the year, a provision was made to cover the cost of dilapidations so that the Group can meet the costs of its obligations under the terms of its leases.

### 1.10 Cash and liquid resources

Cash, for the purpose of the cash flow statement, comprises cash in hand and deposits repayable on demand, less overdrafts payable on demand.

### 2. Project income

Project income is mainly derived from the sale of home composting bins and running additional organics field trial experiments. During the year, sale of home composting bins ceased.

### 3. Interest receivable

| | **Group 2011 £'000** | Group 2010 £'000 | **Company 2011 £'000** | Company 2010 £'000 |
|---|---|---|---|---|
| **Bank interest receivable** | **117** | 148 | **21** | 45 |

### 4. Interest payable

| | **Group 2011 £'000** | Group 2010 £'000 | **Company 2011 £'000** | Company 2010 £'000 |
|---|---|---|---|---|
| **Other interest payable** | **6** | 9 | **-** | 1 |

### 5. Taxation on surplus on ordinary activities

#### a) Analysis of charge in the period

| | **Group 2011 £'000** | Group 2010 £'000 | **Company 2011 £'000** | Company 2010 £'000 |
|---|---|---|---|---|
| **Current tax** | | | | |
| UK corporation tax at 21% (2011), 21% (2010) on the surplus for the year on ordinary activities | | | | |
| - Current tax on income for the period | **24** | 30 | **4** | 9 |
| - Adjustments in respect of prior periods | **-** | 314 | **-** | 287 |
| **Total current tax** | **24** | 344 | **4** | 296 |

## 5. Taxation on surplus on ordinary activities (continued)

### b) Factors affecting tax charge for the period

The current tax charge for the period is lower for the Group (2010: lower) but higher for the Company (2010: higher) than the standard rate of corporation tax in the UK of 21% (2010: 21%). The differences are explained below:

| | **Group 2011 £'000** | Group 2010 £'000 | **Company 2011 £'000** | Company 2010 £'000 |
|---|---|---|---|---|
| Surplus before tax on ordinary activities | **142** | 1,953 | **4** | 114 |
| Surplus on ordinary activities multiplied by the standard rate of corporation tax in the UK of 21% (2011), 21% (2010) | **30** | 410 | **1** | 24 |
| **Effects of:** | | | | |
| Adjustments to tax charge in respect of prior periods | **-** | 314 | **-** | 287 |
| Surplus on activities outside the scope of corporation tax | **(6)** | (492) | **3** | (15) |
| Impact of higher rate of tax | **-** | 117 | **-** | - |
| Small companies rate adjustment | **-** | (5) | **-** | - |
| Current tax charge for the period | **24** | 344 | **4** | 296 |

## 6. Surplus/(deficit) for the financial year

| | **Group 2011 £'000** | Group 2010 £'000 | **Company 2011 £'000** | Company 2010 £'000 |
|---|---|---|---|---|
| **Surplus/(deficit) for the financial year is stated after charging:** | | | | |
| Operating leases – land and buildings | **347** | 396 | **347** | 396 |
| Provision for the cost of dilapidations on rented properties | **529** | - | **529** | - |
| Provision for residual guarantees | **(117)** | (131) | **-** | - |
| Depreciation of tangible fixed assets | **142** | 162 | **142** | 162 |

| | **Group 2011 £'000** | Group 2010 £'000 | **Company 2011 £'000** | Company 2010 £'000 |
|---|---|---|---|---|
| **Auditor's Remuneration** | | | | |
| Audit of these financial statements | **28** | 24 | **28** | 24 |
| Amounts receivable by auditors and their associates in respect of: | | | | |
| - Audit financial statements of subsidiaries pursuant to legislation | **9** | 8 | **-** | - |
| - Other services relating to taxation | **-** | 36 | **-** | 36 |
| - All other services | **3** | 1 | **3** | 1 |

## Notes to the accounts for the year ended 31 March 2011 (continued)

### 7. Employees

| | Group 2011 | Group 2010 | Company 2011 | Company 2010 |
|---|---|---|---|---|
| **The average number of staff and directors was:** | | | | |
| Executive office | **6** | 6 | **6** | 6 |
| Non-executive directors | **8** | 8 | **8** | 8 |
| Communications and engagement | **36** | 31 | **36** | 31 |
| Strategy and planning | **4** | 4 | **4** | 4 |
| Construction and manufacturing | **45** | 36 | **45** | 36 |
| Business and markets | **13** | 28 | **13** | 28 |
| Local government services | **55** | 62 | **55** | 62 |
| Organics | **13** | 12 | **13** | 12 |
| Retail | **18** | 20 | **18** | 20 |
| Finance and evaluation | **32** | 31 | **32** | 31 |
| Scotland | **14** | 7 | **14** | 7 |
| Wales | **9** | 9 | **9** | 9 |
| | **253** | 254 | **253** | 254 |

| | Group 2011 £'000 | Group 2010 £'000 | Company 2011 £'000 | Company 2010 £'000 |
|---|---|---|---|---|
| Wages and salaries | **9,578** | 9,891 | **9,578** | 9,891 |
| Social security costs | **1,016** | 1,070 | **1,016** | 1,070 |
| Other pension costs | **899** | 871 | **899** | 871 |
| Other staff costs | **902** | 880 | **902** | 880 |
| | **12,395** | 12,712 | **12,395** | 12,712 |

Included in other staff costs are £765,708 (2010: £740,702) recruitment, training, relocation and temporary staff costs.
Included in other pension costs are the costs of implementing a salary sacrifice scheme.

The gross pay for individual members of staff who were employed for any part of the year was in the following bands:

| | **2011** | 2010 |
|---|---|---|
| **Emoluments** | | |
| £0 - £9,999 | **2** | 22 |
| £10,000 - £19,999 | **32** | 37 |
| £20,000 - £29,999 | **64** | 75 |
| £30,000 - £39,999 | **60** | 68 |
| £40,000 - £49,999 | **44** | 42 |
| £50,000 - £59,999 | **14** | 20 |
| £60,000 - £69,999 | **9** | 9 |
| £70,000 - £79,999 | **-** | 2 |
| £80,000 - £89,999 | **1** | 1 |
| £90,000 - £99,999 | **1** | 1 |
| £100,000 - £109,999 | **4** | 3 |
| £110,000 - £119,999 | **-** | 1 |

Details of directors' emoluments are shown on pages 12 and 13.

## 8. Tangible fixed assets

| | **Fixtures and fittings £'000** | **Office equipment £'000** | **Motor vehicles £'000** | **Projects £'000** | **Group and Company total £'000** |
|---|---|---|---|---|---|
| **Cost** | | | | | |
| At 1 April 2010 | 364 | 810 | 111 | 189 | 1,474 |
| Additions | 19 | 210 | - | - | 229 |
| Disposals | - | (119) | (23) | - | (142) |
| **At 31 March 2011** | **383** | **901** | **88** | **189** | **1,561** |
| **Depreciation** | | | | | |
| At 1 April 2010 | 318 | 682 | 101 | 179 | 1,280 |
| Charge for the year | 20 | 102 | 10 | 10 | 142 |
| Depreciation on disposals | - | (116) | (23) | - | (139) |
| **At 31 March 2011** | **338** | **668** | **88** | **189** | **1,283** |
| **Net book value** | | | | | |
| **At 31 March 2011** | **45** | **233** | **-** | **-** | **278** |
| At 1 April 2010 | 46 | 128 | 10 | 10 | 194 |

## Notes to the accounts for the year ended 31 March 2011 (continued)

### 9. Fixed asset investments

| | Group £'000 | Company – shares in subsidiary undertakings £ |
|---|---|---|
| **Cost** | | |
| At 1 April 2010 | - | 3 |
| Additions | 175 | - |
| **At 31 March 2011** | **175** | **3** |

| | | |
|---|---|---|
| **Provisions** | | |
| **At beginning and end of the year** | - | - |

| | | |
|---|---|---|
| **Net book value** | | |
| **At 31 March 2011** | **175** | **3** |
| At 1 April 2010 | **-** | 3 |

The Group fixed asset investment represents the acquisition on 28 October 2010 of 47 shares in Re PET Limited by Accelerating Growth Fund Limited (AGF). This represents a holding of 20% of the ordinary shares of the company. AGF does not have any voting rights on the Board of Re PET Limited.

The Waste & Resources Action Programme Limited has three subsidiaries designed to further its aims and objectives, all registered in England and Wales.

| | % holding |
|---|---|
| **Subsidiary undertakings and principal activity** | |
| The Waste and Resources Environmental Body Limited<br>Market development through creating markets for recycled resources | **100** |
| Accelerating Growth Fund Limited<br>Provision of short term funding for investments in the recycling sector | **100** |
| eQuip RVG Limited<br>Provision of residual value guarantees in the recycling sector | **100** |

The net assets and net income for the year of these companies at 31 March 2011 amount to:

| | Net assets (£'000) | Net income (£'000) |
|---|---|---|
| The Waste and Resources Environmental Body Limited (WREB) | **-** | **1** |
| Accelerating Growth Fund Limited | **5,602** | **44** |
| eQuip RVG Limited | **1,267** | **92** |

The reserves and cash holding in all of these companies are being held for specific projects and are not distributable.

## 10. Debtors

| | **Group 2011 £'000** | Group 2010 £'000 | **Company 2011 £'000** | Company 2010 £'000 |
|---|---|---|---|---|
| Grants receivable | **5,851** | 250 | **5,851** | 250 |
| Amounts due from Group undertakings | **-** | - | **3** | 949 |
| Other debtors | **955** | 539 | **324** | 257 |
| Prepayments | **74** | 145 | **74** | 145 |
| | **6,880** | 934 | **6,252** | 1,601 |

## 11. Creditors: Amounts falling due within one year

| | **Group 2011 £'000** | Group 2010 £'000 | **Company 2011 £'000** | Company 2010 £'000 |
|---|---|---|---|---|
| Corporation tax payable | **24** | 44 | **4** | 9 |
| Other taxes and social security | **546** | 502 | **546** | 502 |
| Amounts due to Group undertaking | **-** | - | **1,788** | 1,615 |
| Other creditors | **6,795** | 8,359 | **5,226** | 6,936 |
| Accruals and deferred income | **17,585** | 14,891 | **17,572** | 14,846 |
| | **24,950** | 23,796 | **25,136** | 23,908 |

## 12. Creditors: Amounts falling due after more than one year

| | **Group and Company 2011 £'000** | Group and Company 2010 £'000 |
|---|---|---|
| **Capital grants** | | |
| Brought forward | **194** | 301 |
| Received during the year | **229** | 76 |
| Released to income and expenditure for the year | **(145)** | (183) |
| | **278** | 194 |

## 13. Provision for liabilities and charges

| | WRAP £'000 | WREB £'000 | eQuip £'000 | AGF £'000 | Total £'000 |
|---|---|---|---|---|---|
| At 1 April 2010 | - | 172 | 1,286 | - | 1,458 |
| Additions | 529 | - | 230 | 5,185 | 5,944 |
| Releases | - | (1) | (347) | - | (348) |
| **At 31 March 2011** | **529** | **171** | **1,169** | **5,185** | **7,054** |

WRAP's provision represents the directors' best estimate of the costs of dilapidations on the rented properties in Banbury and Stirling.

WREB's provision represents the Company's liability to monitor the project run by UPM-Kymmene (UK) Limited at Shotton in Flintshire.

The AGF provision represents the obligation to repay funding for certain loan schemes back to Defra should the programme be terminated. This is not expected to occur in the coming year.

The eQuip provision represents the directors' best estimate of the Company's liability to pay any residual guarantees on recycling equipment leased by third parties. It is expected that this activity and hence the requirement for a provision will continue for the foreseeable future.

## 14. Group residual interest

| | Designated funds £'000 |
|---|---|
| **Group residual interest** | |
| At 1 April 2010 | 6,752 |
| Surplus for the financial year | 118 |
| **At 31 March 2011** | **6,870** |

| | |
|---|---|
| **Company residual interest** | |
| At beginning and end of the year | - |

Residual interest is the amount found by deducting all of the entity's liabilities from all of the entity's assets. The designated funds relate to grant income earmarked in conjunction with funding bodies against specific expenditure programmes in subsequent periods.

## 15. Financial commitments

The Company had conditional commitments of £13,258,031 at 31 March 2011 (2010: £18,886,116) in respect of project funding expected to be provided during the year to 31 March 2012. These commitments will be funded by Government grants.

| | **Land and buildings £'000** | **Other £'000** | **2011 Total £'000** | Land and buildings £'000 | Other £'000 | 2010 Total £'000 |
|---|---|---|---|---|---|---|
| **Annual lease commitments** | | | | | | |
| Expiring within 1 year | **187** | **-** | **187** | 145 | - | 145 |
| Expiring between 2 - 5 years | **41** | **-** | **41** | 208 | - | 208 |
| Expiring after 5 years | **-** | **-** | **-** | - | - | - |
| | **228** | **-** | **228** | 353 | - | 353 |

Management fees (including adjustments) payable to the eQuip RVG Ltd lease guarantee scheme administrator are £196,016 (2010: £186,232). This includes a basic fee of £125,000 plus VAT payable each year until 2012.

## 16. Related party transactions

The following transactions were undertaken during the period with subsidiaries.

The Company's financial statements include £189,914 (2010: £158,406) paid to eQuip RVG Ltd towards the residual lease guarantee scheme and £5,185,000 (2010: £1,615,000) paid to Accelerating Growth Fund Ltd towards assisting businesses in the recycling sector.

There were no payments to WREB (2010: £nil) during the year.

The Company had transactions in the normal course of business in the form of a grant to the value of £10,689 in respect of local communications campaigns, with the London Borough of Lambeth of which Clare Whelan (a director of WRAP) is a councillor, none of which was owed by WRAP to the Council at the end of the year.

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