

**Company Registration No. SC436030
(Scotland)**

ZERO WASTE SCOTLAND LIMITED

REPORT AND FINANCIAL STATEMENTS

31 MARCH 2020



ZERO WASTE SCOTLAND LIMITED

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ZERO WASTE SCOTLAND LIMITED

COMPANY INFORMATION AS AT 31 MARCH 2020

Directors

V Emery
I Gulland
M MacDonald
G O'Sullivan
J Swadling
J Watt
H Wollaston

Secretary

Lynn Murray until May 2020
Claire Lithgow from May 2020

Registered office

Ground Floor Moray House
Forthside Way
Stirling
FK8 1QZ

Company number

SC436030

Auditor

Johnston Carmichael
227 West George Street
Glasgow
G2 2ND

Bankers

Royal Bank of Scotland
36 St Andrew's Square
Edinburgh
EH2 2AD

Review of the business of the company during the year

Zero Waste Scotland is a company limited by guarantee and was incorporated on 2 November 2012. Its role is to deliver on the Scottish Government's policies and strategies for the circular economy, waste reduction and resource efficiency, working closely with businesses, public bodies and communities in Scotland. The Board comprises six non-executive directors and an executive director. The Scottish Ministers and non-executive directors are collectively the company's Members.

During 2019/20, Zero Waste Scotland was grant-funded by the Scottish Government to support delivery of its circular economy strategy and other resource efficiency policies. The company has four strategic outcomes focussed on creating a Scottish Economy where goods and services are consumed and produced responsibly, with the least environmental impact and the value of waste is maximised, reducing waste and embedding circular economy principles across the economy. The organisation has also embarked on an ambitious internal transformation agenda during the year to help ensure that it can maximise organisational impact. During 2019/20, Zero Waste Scotland was funded by £21million of Scottish Government Grant and £4.9million of European Regional Development Funding (ERDF).

The company provides a range of support programmes, campaigns and other interventions to help communities and organisations on the journey to a circular economy, zero waste and resource efficiency. These include:

- Advice and support programmes helping organisations save money and reduce energy, water usage and waste;
- Technical and operational support to local authorities, resource management businesses and the third sector;
- Stimulating the development of infrastructure for recycled products, closed loop recycling and re-manufacturing;
- Managing a £73 million multi-year ERDF programme which will accelerate Scotland's transition to a resource efficient circular economy by providing targeted support to small and medium sized enterprises (SMEs) and the third sector to help them reduce costs and carbon emissions;
- Local and national marketing campaigns including *Love Food Hate Waste*, *Recycle for Scotland*, *Trial Period*, *Love your Clothes* and *Re-use Line*;
- Increasing standards and developing markets for reused goods through the *Revolve* store certification;
- Participation in UK voluntary waste reduction agreements, such as the *Courtauld Commitment*;
- Provision of revenue and capital grants for investment in the circular economy, prevention of waste, Zero Waste Towns and the Local Authority Charter;
- Carrying out research, providing training and identifying best practice; and
- Helping organisations to comply with waste and other environmental regulations.

ZERO WASTE SCOTLAND LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

Highlights for 2019/20 included the following:

- **Corporate Plan.** The Corporate Plan (2019-2023) was launched by the Cabinet Secretary for Environment, Climate Change and Land Reform, Roseanna Cunningham on 12 September 2019. The plan sets out 4 strategic outcomes that will drive the organisation's future activities. These include embedding responsible consumption and production at the heart of the Scottish Economy, creating real value from waste, and internally transforming how the organisation is managed.
- **Deposit Return Scheme (DRS).** Zero Waste Scotland has supported the completion of a consultation on the draft regulations for DRS; completed a full business case for investment in DRS; completed an initial business plan for the scheme administrator; carried out wide collaboration and engagement with stakeholders across Scotland; set up and facilitated an 'Industry Advisory Group'; and supported the final drafting of regulations that are now laid in Parliament.
- **Launch of the Food Waste Reduction Action Plan.** In April, together with the Scottish Government, Zero Waste Scotland launched the 'Food Waste Reduction Action Plan', which outlines how Scotland will reduce food waste by 33% by 2025. This coincided with a food waste recycling consumer campaign run by the Scottish Government across TV and digital channels, with PR support from Zero Waste Scotland.
- **Promoting a circular economy.** At the World Circular Economy Forum 2019 in Helsinki, Zero Waste Scotland launched its Circular Economy 'Accelerator'. The Accelerator is a new website that provides businesses across Scotland with the tools they need to switch to circular economy business models. Circular economy pioneer, Walter Stahel, supported the launch with a video outlining the opportunity for Scotland to be a 'lighthouse for others' on the circular economy.
- **Supporting government in key initiatives.** The Circular Economy Bill consultation was launched in November 2019 with key support from Zero Waste Scotland. The work to develop content and carry out the required assessments prepared the way for the Bill to progress through Parliament, prior to the impact of COVID-19, which unfortunately saw the Bill removed from Parliamentary business. Zero Waste Scotland staff continue to lead on the discussion and analysis of the future scheme for 'Extended Producer Responsibility' (EPR) for packaging – a UK Government initiative.
- **Recycling summit.** Zero Waste Scotland provided the 'Issues report' and secretariat support for the Cabinet Secretary for Environment, Climate Change and Land Reform, Roseanna Cunningham, to host a Recycling Summit in December. The summit was called to consider whether current action and policy is enough to achieve waste and recycling targets. The summit called for a set of actions covering: Communication; Contamination; Consistency; Innovation; Investment; and Data & transparency. Many of the outputs provided a framework for Zero Waste Scotland's Operating Plan 2020/21.
- **Circular Economy Business support and investment.** As at 31 March 2020, Zero Waste Scotland has supported 184 businesses to develop, test and take to market circular business models. Funding to 47 projects has been awarded through the *Circular Economy Investment Fund* (total award value of £6.78million), with a leveraged investment of £8.15million from the private sector. These projects are projecting carbon savings in excess of 93,000t CO2 equivalent, per year.
- **Energy and low-carbon heat.** Zero Waste Scotland's offices are now supplied with low carbon heat following the commissioning of 'Forthbank Renewable Energy' project, which provides district heating from the nearby sewage works. This project aligns with Scottish Government's ambition to decarbonise heat by 50% by 2032 and positions the company as

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STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

a leader by example. Zero Waste Scotland was a major sponsor of 'Working Decarbonise' – part of 'All Energy', the UK's largest renewable and low carbon energy conference. Both the First Minister of Scotland and Paul Wheelhouse MSP, Minister for Energy, Connectivity and the Islands, visited the hub where the company showcased its work on energy efficiency and low carbon heat.

- **Net Zero Plan.** During the year Zero Waste Scotland has developed a comprehensive plan for reducing its own organisational carbon footprint. The plan is believed to be one of the most ambitious in tackling global impacts from consumption of energy and materials and will be shared widely in 2020/21 with other public and private sector partners.
- **Circular Procurement.** Together with 10 partners from across Europe, Zero Waste Scotland launched the 'ProCirc' project to provide a Circular Procurement Mentoring Support programme for public and private organisations within eligible areas in Scotland. This Interreg funded project aims to help identify and procure products and services that could benefit from a circular approach with a focus on: furniture, textiles, construction, infrastructure, ICT and common single-use items.
- **Education and Skills.** Following a long period of development, Zero Waste Scotland has reached agreement with 9 partners¹ from across the public sector to create the first education and skills hub focused on the circular economy. The hub will act as a central point for circular economy policy development and embed education and skills programmes across all the partners' activity

Future developments

The Corporate Plan 2019-23 sets out the company's purpose to lead Scotland to use products and materials responsibly. Zero Waste Scotland does this using its expertise and knowledge to influence and inspire others.

The four strategic outcomes: responsible consumption; responsible production; maximising value from waste and energy; and the transformation of Zero Waste Scotland as an organisation, guide all of the work that the company undertakes. The company's core ambition is to tackle global climate emissions by focusing on the responsible production and consumption of products and materials.

The delivery plan for 2020/21, was agreed with Scottish Government in March 2020. Like most organisations, Zero Waste Scotland's activities have been significantly impacted by the COVID 19 pandemic and Zero Waste Scotland has subsequently revised this plan to reflect what is now realistic and to help ensure resource is sufficiently allocated to emerging priorities.

¹ These partners include Skills Development Scotland, Scottish Enterprise, Highland and Islands Enterprise, Scottish Environment Protection Agency, Scottish Funding Council RAISE, Young Enterprise Scotland, Education Scotland and Dundee and Angus College

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STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

Financial Review

During the 2019/20 financial year Zero Waste Scotland was primarily funded through £21,002,000 (2018/19: £18,520,000) of core Scottish Government Grant and £4,931,000 (2018/19: £3,628,000) of European Regional Development Funding. Funding increased from 2018/19 primarily due to increased costs associated within the implementation of Scotland's Deposit Return Scheme.

During the reporting period it has been recognised that the company was unlikely to recoup previously accounted for European Regional Development Fund income at the rates accounted for. The 2018/19 accounts have therefore been restated within these financial statements to present a more realistic view.

Total expenditure to be funded from Scottish Government Waste and Energy budgets amounted to £20,531,000 during the year. A breakdown is provided below against the Scottish Government priorities.²

Priorities	Expenditure £'000
Scotland's Deposit Return Scheme	2,747
Policy Development	1,668
Recycling Target & Biodegradable Municipal Waste Ban	2,827
Food Waste Target	2,211
Waste Prevention (Business)	1,440
Waste Prevention (Household)	1,526
Circular Economy	4,716
Waste – Other Communities	711
Energy Advice & Support (Business)	1,594
Energy & Heat (Technical Support)	628
Energy & Heat (Policy Support)	463
Total Scottish Government Expenditure	<u><u>20,531</u></u>

Going concern

The company is funded principally through grants from the Scottish Government, with additional funding from the European Regional Development Fund (ERDF). The Scottish Government Grant is awarded annually.

The Directors have confidence that the company can continue to operate as a going concern for the next 12 months and beyond due to the following factors:

² Note that prior year comparatives are not available by Scottish Government Priorities as this breakdown was new for the 2019/20 financial year.

ZERO WASTE SCOTLAND LIMITED

STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

- Scottish Government has agreed Zero Waste Scotland's four-year Corporate Plan and the organisation will continue to be the key delivery agent to support Scotland's circular economy and other resource efficiency programmes. A grant of £20.6 million was awarded for 2020/21 to support these activities;
- For the last three financial years the Scottish Government has prepaid grant to ensure adequate cash flow until ERDF money is received;
- Cash and commitment levels are actively managed to ensure they remain affordable;
- As standard, Zero Waste Scotland embeds termination clauses within all supplier contracts and grant arrangements to minimise irrevocable commitments.

Risk management

The company has an Audit and Risk Committee, comprised of two non-executive directors with a background in finance, supported by the Chief Finance Officer. The purpose of the Committee is to provide assurance to the Board of Zero Waste Scotland that there is effective governance in place regarding arrangements for audit, financial budgeting and reporting, risk management and any other issues that are relevant for the Committee to consider.

This Committee and the Executive Leadership Team regularly review the risk register, which is also presented to and reviewed by the full Board. The key strategic risks and mitigation measures as at 31 March 2020 have been identified in the following table.

Description of risk	Mitigation measures
Corporate Plan from 2019-2023 does not deliver priority outcomes, including transformation of Zero Waste Scotland	<ul style="list-style-type: none">• Regular monitoring by Scottish Government• Detailed review in light of COVID 19 to revise underlying priorities• Progress reports at every Board meeting and action taken to address any issues impacting on successful achievement of outcomes
Organisation fails to deliver/ evidence impact on key government priorities or over-commits leading to a loss of confidence in Zero Waste Scotland	<ul style="list-style-type: none">• Operating Plan, including priority strategic outcomes, approved by the Scottish Government annually• Plan monitored regularly by Scottish Government, the Board and the senior leadership team and action taken to address any issues
Significant reductions in grant from Scottish Government could impact on delivery of outcomes in the Operating Plan.	<ul style="list-style-type: none">• Zero Waste Scotland is the key delivery agent for Scottish Government and annual budget agreed, regularly monitored and re-prioritised as required• Develop longer term financial strategy to manage potential reduction in budgets• Minimisation and robust monitoring of commitment levels to maintain upmost flexibility.

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STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

Delay in claiming European Regional Development Fund (ERDF) monies; challenges in spending the full four-year allocation; evidence may be insufficient to make claims. UK exit from the European Union is likely to mean access to future funding is not available.	<ul style="list-style-type: none">• ERDF Programme Board, comprised of Board Directors and senior leaders, meet regularly to monitor progress and resolve any issues• ERDF spend is regularly monitored and resources allocated to ensure achievement of outcomes & results, guidance and compliance• Regular liaison with the Managing Authority and request for extension to the programme to maximise outcomes and funding requested
Fail to maintain a good working relationship with key stakeholders impacting on programme delivery	<ul style="list-style-type: none">• Key strategic partnerships in place at Board and executive level with regular engagement
DRS is a critical priority for Scottish Government in the Programme for Government with a significant reputational risk for Zero Waste Scotland if it were to fail to deliver on outcomes in the agreed timescales. Also risk of diverting resources from other priorities to work on DRS.	<ul style="list-style-type: none">• A DRS Programme Board has been established, chaired by the Director of the Environment and Forestry Department at Scottish Government, to monitor progress• Internal governance processes are in place at Zero Waste Scotland and allocation of resources to deliver the project is regularly discussed, reviewed and revised as required
Failure to comply with legislation or legal agreements breached.	<ul style="list-style-type: none">• Staff are trained in key requirements and external expertise procured as required
Uncertainty in business community due to EU exit potentially impacts on delivery of initiatives in relation to circular economy and resource efficiency.	<ul style="list-style-type: none">• Keep in regular contact with the business community, track EU exit issues and continue to participate in European networks• Zero Waste Scotland playing an active role on the Scottish Government consultation with regards to the future of structural funds• Detailed assessment of potential outcomes of EU exit to be drawn up

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STRATEGIC REPORT FOR THE YEAR ENDED 31 MARCH 2020

Performance management

A range of financial and non-financial key indicators are used to measure performance and will continue to be reviewed and adapted, as necessary.

Specific milestones are developed under each corporate strategic outcome to help manage progress throughout the year and these are reported to the Board and to the Scottish Government on a quarterly basis, helping ensure the whole organisation remains focused on the right priorities.

Staff turnover and sickness absence levels continued to be low against the national reported average and there have been no significant issues affecting health and safety of employees during the year. A Healthy Working Lives group comprised of employees from across the organisation is very active and an approved Health & Wellbeing strategy is in place as well as mental health workplace training, a mindfulness programme, an employee assistance scheme, counselling support, mental health first aiders and a volunteering scheme.

Zero Waste Scotland is ISO14001 certified and a robust environmental management monitoring system is in place. During 2019/20 the company's total carbon footprint, inclusive of commuting, was 261 tonnes of CO2 equivalents, down 12% on the previous year, despite a 20% staff increase. The key driver of the decrease was the success of the organisation in reducing the impact of corporate travel by reducing the amount of travel and ensuring staff opt for travel that has the least environmental impact. Since the outbreak of COVID in March staff have been working from home and the organisation has given all staff the opportunity to make this a permanent arrangement. We estimate that this should allow Zero Waste Scotland to half its carbon footprint and will be a key pillar in achieving the ambition to be a net zero carbon organisation.

On behalf of the Board



I Gulland
Director

12 November 2020

ZERO WASTE SCOTLAND LIMITED

DIRECTORS REPORT FOR THE YEAR ENDED 31 MARCH 2020

The Board presents its report and the audited financial statements for the year ended 31 March 2020.

Principal Activities and Constitution

Zero Waste Scotland is a company limited by guarantee which has entered into a grant funding agreement with the Scottish Government to deliver its circular economy strategy and other resource efficiency policies.

The current members of Zero Waste Scotland are the Scottish Ministers and the six non-executive Directors.

Directors

The following directors have held office during the period:

Vic Emery
Iain Gulland
Morag MacDonald
Gerard O Sullivan
Janet Swadling
John Watt
Helen Wollaston

Board Development

New Board directors receive formal induction training to develop their knowledge and understanding of their role to help them to participate effectively in the performance of their duties and all Board directors are encouraged to attend relevant conferences and training events. Between Board meetings, directors are provided with opportunities to network with the Executive Leadership Team and other staff members. Further development needs are assessed and delivered as required.

The Chair of the Board's annual appraisal is carried out by the Director of Environment and Forestry of Scottish Government. Following on from this the Chair carries out appraisals with the rest of the Board.

Zero Waste Scotland is committed to equality and diversity and there are three female and four male directors on the Board. There were five Board meetings, two Audit & Risk Committees (A&RC) and five ERDF Programme Boards during 2019/20. The number of meetings each director attended are shown in the table below.

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DIRECTORS REPORT FOR THE YEAR ENDED 31 MARCH 2020

Director	Board	A&RC	ERDF Programme Board
Vic Emery	5	N/A	N/A
Iain Gulland	5	N/A	5
Morag MacDonald	5	2	N/A
Gerard O Sullivan	5	N/A	5
Janet Swadling	5	N/A	N/A
John Watt	4	2	5
Helen Wollaston	5	N/A	N/A

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

The directors are responsible for preparing the Strategic Report, 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 the directors have elected to prepare the 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 company and of the surplus or deficit of the company 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; and
- 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 adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the 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 company and to prevent and detect fraud and other irregularities.

Disclosure of information to auditor

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 auditor is unaware; and each director has taken all the steps that he/she ought to have taken as a director to make him/herself aware of any relevant audit information and to establish that the company's auditor is aware of that information.

ZERO WASTE SCOTLAND LIMITED

**DIRECTORS REPORT
FOR THE YEAR ENDED 31 MARCH 2020**

Auditor

Following an open tender process, Johnston Carmichael, was successfully appointed as auditor at the November 2019 Annual General Meeting.

On behalf of the Board



I Gulland
Director

12 November 2020

ZERO WASTE SCOTLAND LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS FOR THE YEAR ENDED 31 MARCH 2020

Opinion

We have audited the financial statements of Zero Waste Scotland Limited (the 'company') for the year ended 31 March 2020 which comprise the Statement of Income and Retained Earnings, the Statement of Financial Position, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020 and of its surplus for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the directors have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

ZERO WASTE SCOTLAND LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS FOR THE YEAR ENDED 31 MARCH 2020

Other information

The directors are responsible for the other information. The other information comprises the information included in the 'Report and Financial statements', other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report and the directors' report.

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
 - the 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.
-

ZERO WASTE SCOTLAND LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS FOR THE YEAR ENDED 31 MARCH 2020

Responsibilities of directors

As explained more fully in the statement of directors' responsibilities set out on page 10, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

ZERO WASTE SCOTLAND LIMITED

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS FOR THE YEAR ENDED 31 MARCH 2020

However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Use of our report

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, the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Johnston Carmichael LLP

Keith Macpherson (Senior Statutory Auditor)

for and on behalf of Johnston Carmichael LLP

Date: 07 / 12 / 2020

**Chartered Accountants
Statutory Auditor**

227 West George Street
Glasgow
G2 2ND

ZERO WASTE SCOTLAND LIMITED**STATEMENT OF INCOME AND RETAINED EARNINGS
FOR THE YEAR ENDED 31 MARCH 2020**

	Note	2020 £'000	2019 (Restated) £'000
Incoming resources			
Grant income	2	21,002	18,520
Other income	2	5,041	4,018
Total incoming resources		26,043	22,538
Resources expended			
Operating expenditure		(25,163)	(23,263)
Operating surplus/(deficit) on ordinary activities before taxation	3	880	(725)
Interest receivable and similar income		-	-
Surplus / (deficit) on ordinary activities before taxation		880	(725)
Taxation on surplus on ordinary activities		-	-
Surplus / (deficit) for the financial year		880	(725)
Opening Reserves		(2,272)	(1,547)
Closing Reserves		(1,392)	(2,272)

In the current and prior year period no dividend has been declared.

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

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

ZERO WASTE SCOTLAND LIMITED**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020**

	Note	2020	2020	2019 (Restated)	2019 (Restated)
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	5		206		172
Current assets					
Debtors	6	6,567		2,268	
Cash at bank and in hand		138		1,313	
		<u>6,705</u>		<u>3,581</u>	
Creditors: Amounts falling due within one year	7	<u>(8,199)</u>		<u>(5,931)</u>	
Net current liabilities			<u>(1,494)</u>		<u>(2,350)</u>
Total assets less current liabilities			<u>(1,288)</u>		<u>(2,178)</u>
Creditors: Amounts falling due after more than one year	8		(104)		(94)
Net liabilities			<u>(1,392)</u>		<u>(2,272)</u>
Reserves			<u>(1,392)</u>		<u>(2,272)</u>

The financial statements were approved by the Board of Directors and authorised for issue on 12 November 2020 and signed on its behalf by



I Gulland
Director

Company Registration No.SC436030

ZERO WASTE SCOTLAND LIMITED**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 MARCH 2020**

	Note	2020 £'000	2019 £'000
Operating activities			
Net cash absorbed by operations	10	(1,037)	(2,480)
Investing activities			
Purchases of tangible assets	5	(138)	(178)
Net cash used in investing activities		(138)	(178)
Net decrease in cash and cash equivalents		(1,175)	(2,658)
Cash and cash equivalents at beginning of year		1,313	3,971
Cash and cash equivalents at end of year		138	1,313

ZERO WASTE SCOTLAND LIMITED

NOTES AND ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 MARCH 2020

1. Basis of financial statements and accounting policies

Zero Waste Scotland Limited is a private company limited by guarantee incorporated in Scotland. The liability of the members is limited, as detailed in the Memorandum of Association, to £1 each. Zero Waste Scotland Limited is a Public Benefit Entity.

The address of the company's registered office and principal place of business is Moray House, Forthside Way, Stirling FK8 1QZ, Scotland, registered number SC436030.

These financial statements have been prepared in accordance with FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and the requirements of the Companies Act 2006.

The company has adopted the following accounting policies which should be read in conjunction with the financial statements set out on pages 16 to 18 and which have been prepared under the historical cost convention and in accordance with applicable accounting standards.

The financial statements are prepared and rounded to the nearest £'000.

Going Concern

These accounts have been prepared on the going concern basis, which assumes the company will continue to operate without significant curtailment for the foreseeable future, and at least 12 months from the date of approval of the financial statements. While the company has net liabilities at the balance sheet date, this is due to the creditor position with the Scottish Government, the principal funder. As set out in the strategic report, the Scottish Government has provided prepaid grant to support the cashflow of the company while the ERDF claim applications are made and processed. The timing of receipt of ERDF has been the main uncertainty for the company in terms of cash flow and so the company liaises closely with the Scottish Government in this respect as well as actively managing its cash and commitment levels in supplier contracts and grant arrangements to minimise irrevocable commitments.

The Scottish Government has agreed the company's four-year Corporate Plan spanning 2019-2023 and the company enters into an annual specific grant funding agreement with the Scottish Government. £19 million has been agreed for 2020/21 and the company expects this arrangement will continue in 2021/22, in line with previous practice, providing an expected level of income and expenditure for 12 months from authorising these financial statements in order to meet its liabilities as they fall due. As such, the directors believe the continued use of the going concern basis of preparation is reasonable.

Prior period adjustment

As noted within the Financial Review within the Strategic Report, the prior year comparative information has been restated to account for errors identified in the amount of ERDF income that is now expected to be received and to recognise the correct balance owed to Scottish Government as a result of funding received. Details of the required adjustments are presented in note 12.

ZERO WASTE SCOTLAND LIMITED

NOTES AND ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 MARCH 2020

1.1 Income

Government grant income is recognised under the accruals model. Revenue grants receivable are credited to the Statement of Income and Retained Earnings in the period in which the funding is receivable and when there is reasonable assurance that the grant conditions will be met. Capital based government grants are included within accruals and deferred income in the Statement of Financial Position and credited to the Statement of Income and Retained Earnings over the estimated useful economic lives of the assets to which they relate.

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 Leases

Rentals payable under operating lease are charged to the income statement on a straight-line basis over the term of the lease.

1.4 Taxation

The charge for taxation is based on the result for the year and takes into account taxation deferred because of timing differences between the treatment of certain items for taxation and accounting purposes.

1.5 Tangible fixed assets and depreciation

Tangible fixed assets are initially measured at cost and subsequently measured at cost or valuation, net of depreciation and any impairment losses. Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost or valuation of each asset to its estimated residual value on a straight-line basis over its expected useful life, as follows: -

Office Equipment	-	33 % per annum on cost
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1.6 Pension costs

The company operates a defined contribution pension scheme. The assets of the scheme constitute individual member accounts and are held separately from those of the company under an insured group pension arrangement. The pension cost charge represents contributions payable by the company to the fund and amounted to £840,000. No outstanding contributions were payable to the fund at the year end.

1.7 Critical Accounting Estimates and Areas of Judgement

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

The company makes estimates and assumptions concerning the future. The resulting accounting estimates and assumptions will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

In recognising ERDF income management takes in to account the risk that repayment is contingent upon full alignment to ERDF rules and regulations and submission of satisfactory evidence. As such the risk of not all income being recovered is adjusted and accounted for within these financial statements.

There is a carrying amount of £6,217,000 included within these financial statements in relation to outstanding European Regional Development Fund Income (2019: £1,829,000). As with all European funding, this is required to be verified by Scottish Government (acting as the Managing Authority) and the amount paid is likely to vary from the figure included. It is however the view of management that the estimates included within these statements are prudent and diligently prepared.

In categorising leases as finance leases or operating leases, management makes judgements as to whether significant risks and rewards of ownership have transferred to the company as lessee, or the lessee, where the company is a lessor.

1.8 Financial Instruments

The company has elected to apply the provisions of Section 11 'Basic Financial Instruments' and Section 12 'Other Financial Instruments Issues' of FRS 102, in full, to all of its financial instruments.

Financial assets

Trade, group and other debtors (including accrued income) which are receivable within one year and which do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being the transaction price less any amounts settled and any impairment losses.

Where the arrangement with a debtor constitutes a financing transaction, the debtor is initially measured at the present value of future payments discounted at a market rate of interest for a similar debt instrument and subsequently measured at amortised cost.

A provision for impairment of trade debtors is established when there is objective evidence that the amounts due will not be collected according to the original terms of the contract. Impairment losses are recognised in surplus or deficit for the excess of the carrying value of the trade debtor over the present value of the future cash flows discounted using the original effective interest rate. Subsequent reversals of an impairment loss that objectively relate to an event occurring after the impairment loss was recognised, are recognised immediately.

ZERO WASTE SCOTLAND LIMITED

NOTES AND ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 MARCH 2020

Trade and other creditors

Trade and other creditors (including accruals) payable within one year that do not constitute a financing transaction are initially measured at the transaction price and subsequently measured at amortised cost, being transaction price less any amounts settled.

Where the arrangement with a creditor constitutes a financing transaction, the creditor is initially measured at the present value of future payments discounted at a market rate of interest for a similar instrument and subsequently measured at amortised cost.

1.9 Provisions

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 as a result of a past event.

2. Incoming Resources

	2020	2019 Restated
	£'000	£'000
Scottish Government Grant (Note 9)	21,002	18,520
Scottish Government – Other	-	227
ERDF Accrued Income	4,931	3,628
Other income	110	163
	<u>26,043</u>	<u>22,538</u>

3. Operating Result for the financial year

	2020 £'000	2019 £'000
Operating Result for year is stated after charging:		
Operating leases - land & buildings: Paid in year	<u>76</u>	<u>77</u>
Depreciation of tangible fixed assets	<u>102</u>	<u>78</u>
Loss on Disposal of tangible fixed assets	<u>2</u>	<u>4</u>
Auditors remuneration		
Audit of these financial statements	<u>20</u>	<u>17</u>
Non-audit services	<u>-</u>	<u>11</u>

ZERO WASTE SCOTLAND LIMITED

NOTES AND ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 MARCH 2020

4. Employees

	2020 £'000	2019 £'000
The average weekly number of full-time equivalent staff and executive directors was:		
Corporate	33	30
Operational	116	91
	<hr/>	<hr/>
The aggregate remuneration comprised:		
Wages and salaries	5,687	4,544
Social security costs	602	477
Defined contribution pension costs	840	677
Other remuneration benefits	34	35
	<hr/>	<hr/>
	7,163	5,733
	<hr/>	<hr/>
Directors Emoluments		
In respect of the directors of Zero Waste Scotland:		
Emoluments	142	145
Company contributions to money purchase pension schemes	19	14
	<hr/>	<hr/>
	161	159
	<hr/>	<hr/>
The number of directors to whom retirement benefits are accruing under defined benefit purchase schemes was	1	1
	<hr/>	<hr/>

The total remuneration of the staff in the year who are considered to be key management personnel of the company were £353,000 (2019: £303,000). Note that in line with standard practice the key management noted below consist of just the Executive Leadership Team of Zero Waste Scotland and not all management which has previously been disclosed.

Those considered key management personnel are:

Director and Chief Executive Officer	Iain Gulland
Chief Operating Officer	Jill Farrell
Director of Transformation	Louise Smith
Chief Finance Officer	Lynn Murray (left March 2020)
Chief Finance Officer (Interim)	Claire Lithgow (from March 2020)

Remuneration of Non-Executive Directors

Non-Executive Directors received remuneration totalling £44,000 during the year (2019: £43,000). Expenses paid to Board members during the year totalled £1,000 (2019: £1,000).

ZERO WASTE SCOTLAND LIMITED**NOTES AND ACCOUNTING POLICIES (continued)
FOR THE YEAR ENDED 31 MARCH 2020****5. Tangible fixed assets**

	Office Equip
Cost	£'000
1 April 2019	445
Additions	138
Disposals	(4)
31 March 2020	<u>579</u>
Depreciation	
1 April 2019	273
Charge in year	102
Disposals	(2)
31 March 2020	<u>373</u>
Net book value	
At 31 March 2020	<u>206</u>
At 31 March 2019	<u>172</u>

6. Debtors

	2020	2019 Restated
	£'000	£'000
Trade Debtors	29	99
Prepayments	317	297
European Regional Development Fund	6,217	1,829
Other Debtors	4	43
	<u>6,567</u>	<u>2,268</u>

ZERO WASTE SCOTLAND LIMITED

NOTES AND ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 MARCH 2020

7. Creditors: Amounts falling due within one year

	2020	2019 Restated
	£'000	£'000
Trade Creditors	2,135	957
Scottish Government Creditor	3,632	2,138
Accruals	2,150	2,521
Deferred Capital Grant	102	78
Other Creditor	-	89
Tax and Social Security	180	148
	<u>8,199</u>	<u>5,931</u>

Total amount owed to Scottish Government as at 31 March 2020 was £3,838,000 (31 March 2019: £2,310,000). This constitutes the current year creditor above plus monies advanced for capital purchases that have not yet been depreciated and charged to the accounts which stood at £206,000 as at 31 March 2020 (31 March 2019: £172,000).

8. Deferred Capital Grants Creditor

Capital Grants	£'000
At 1 April 2019	172
Additions for the year	138
Loss on Disposal	(2)
Utilised during the year	(102)
Balance at 31 March 2020	206
<i>Amount due within one year</i>	<i>102</i>
<i>Amount falling due after more than one year</i>	<i>104</i>

9. Related Party Transactions

No related party transactions exist between any Board member and any grantee or grantor.

ZERO WASTE SCOTLAND LIMITED**NOTES AND ACCOUNTING POLICIES (continued)
FOR THE YEAR ENDED 31 MARCH 2020****10. Reconciliation of result to net cash generated from operations**

	2020 £'000	2019 Restated £'000
Surplus for the financial year	880	(725)
Adjustments for:		
Depreciation of plant and equipment	102	78
Loss on disposal of plant and equipment	2	4
Increase in receivables	(4,299)	761
(Decrease)/Increase in trade and other creditors	2,278	(2,598)
Net Cash Absorbed by Operating Activities	<u>(1,037)</u>	<u>(2,480)</u>

11. Operating Leases commitments:

The total future minimum lease payments under non-cancellable leases are:

	2020 £'000	2019 £'000
Due within one year	80	76
Due 2-5 years	66	152
Due > 5 years	-	-
	<u>146</u>	<u>228</u>

12. Prior year restatement

During the year the company identified errors in the amount of ERDF income that had previously been accounted for, but which are now not expected to be received. In addition, errors were identified in how it had been calculating amounts payable to the Scottish Government. The prior period comparative information has been restated as follows:

	As previously reported £'000	Adjustment £'000	As restated £'000
Net assets / (liabilities) at 1 / 4 / 2018	-	(1,547)	(1,547)
Other income	4,743	(725)	4,018
Surplus/ (deficit) for the financial year ended 31 / 3 / 2019	-	(725)	(725)
Debtors	4,313	(2,045)	2,268
Creditors < 1 year	(5,708)	(223)	(5,931)
Creditors > 1 year	(89)	(5)	(94)
Net assets / (liabilities) at 31 / 3 / 2019	-	(2,272)	(2,272)

ZERO WASTE SCOTLAND LIMITED

NOTES AND ACCOUNTING POLICIES (continued) FOR THE YEAR ENDED 31 MARCH 2020

13. Events after the reporting date

Subsequent to the year end, the COVID-19 pandemic has impacted a significant number of countries globally causing severe disruption to the UK economy and economic activity. Although the impact of the pandemic and subsequent lockdown restrictions have provided significant challenges as set out in the Strategic Report, the company has managed the associated risks through careful mitigation measures and reassessment of priorities.