



Sustainability Report 2005 - 2006

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FRC Group Sustainability Report 2005-2006

Acknowledgments

We would like to thank the following for all their hard work in contributing to the production of this report

All the FRC Group employees who work so hard to make the FRC Group a truly great place to work

All the people who matter to us and gave us feedback on our performance

All the employees at FRC Group who helped with the collection and analysis of data

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Ms Penny Street, the National Centre for Business and Sustainability
Manchester

Mr Peter Tyson, Norris Green CAB, Liverpool

Mr John Metcalf, Liverpool Housing Trust, Liverpool

Alison Ball of the FRC Group compiled these accounts in April and May 2006

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Introduction to our Sustainability Report 2005/06

Our social, environmental and economic impact

Welcome to our Sustainability Report reflecting the social, environmental and economic impacts of the FRC Group's activities from the 1st April 2005 until the 31st March 2006.

This is our eighth year of social impact reporting and our second Sustainability Report. We aim to prove the added value of what we achieve through the daily activities of our five social businesses. To do this we use social, environmental and financial accounting, collectively referred to as triple bottom line accounting (TBL). The following pages contain details of our business performance as well as quantitative data and qualitative feedback from our stakeholders- the people who matter to us. Readers will see that in many areas we have exceeded the annual targets that we set for ourselves and can see where we have missed targets for improvement in the forthcoming year.

We believe passionately that open reporting is a discipline of integrity and if we are to claim the added value of our work then we need to be able to prove it. The practices of accounting and reporting give us systems and data to measure and make improvements and really achieve the goals that we set ourselves.

Overview of the year

Group Income

This year £3,449,274, last year £4,085,568

This year has been a year of consolidation where we worked hard undertaking in-depth reviews of the effectiveness of all of our businesses and became comfortable with the fact that we will see greater and more rapid business growth through our reuse and recycling operation - Bulky Bob's.

We concluded that Furniture Resource Centre and our one-stop furnishing service for registered social landlords (RSLs), getting furniture to those most in need, should still remain at the heart of our business. Our review also concluded that we should put the Cat's Pyjamas business in the hands of our joint venture partner as we choose to concentrate more on our core business activities in the forthcoming year.

We recruited two business development managers, one to develop opportunities for Bulky Bob's and one to develop our one-stop furnishing service run by the Furniture Resource Centre.

This year also saw us engage with the growing public sector procurement agenda. Social businesses like ours are seen more and more by Government departments as a way of delivering effective services, bringing efficiencies and added value to local authorities and public sector agencies.

We also spent time understanding the impact that this agenda will have on registered social landlords whose procurement procedures are now subject to EU rules- We learned that we now have more expertise in this than some of our RSL customers. We are confident that the time spent reviewing and rethinking our businesses and the numerous high quality tenders that we submitted will pay dividends winning us more niche business in 2006/07.

We won and lost Bulky Bob's contracts with local authorities. We won Oldham MBC and Warrington BC and lost our Halton BC contract. We spent the year carrying out pilot projects enabling us to increase our reuse and recycling performance.

The success of our triumvirate approach to leadership was confirmed in early 2005/06 when we smoothly replaced our highly regarded Finance Director, Tony Rowan with Phil Tottey who comes to us with vast experience in highly commercial media and retail businesses.

We also recruited a Research and Grants Officer to help us capitalise on grant funding available for our research and development agenda and all the new ideas we had and frustratingly could not find the cash to implement.

We had some of the best feedback ever from our employees about what it means to work for FRC Group – proving for us that our values culture is maturing well and that we remain a great place to work.

Our financial performance

Year	Income	% grant income restricted funds	% sales income	Employees average	Unrestricted Funds profit/(loss)£
2001/02	7,490 451	10	90	104	431,299
2002/03	5,045 661	4	96	74	28,265
2003/04	4,758 731	7	93	78	(11,124)
2004/05	4,085,568	7	93	83	(149,267)
2005/06	3,449,274	4.6	95.4	71	(123,949)*

* Unaudited and an approx figure for the year

The Leadership Team

Alison Ball, Shaun Doran, Phil Tottey, June 2006

FRC Group



What and who we are for

We do good things, running businesses that promote equality and create livelihoods for people who really need them. We seek to achieve social, environmental and financial benefits by operating commercially viable social businesses in a range of markets.

We are a values led company trying to live and work creatively, passionately, bravely and professionally. We will be as open, honest and accountable as we can with all the people who matter to us. We want always to learn and to help others learn from us.



The Furniture Resource Centre

At the heart of our Group is the Furniture Resource Centre, which is a registered charity. Founded in 1988 and based in Liverpool we provide a one stop furnishing service to registered social landlords throughout England and Wales enabling them to offer furnished accommodation to tenants.



amovingexperience

An expansion of the Furniture Resource Centre's services to registered social landlords, amovingexperience offers registered social landlords a people-centred removals service for their tenants. We move people, not just furniture.



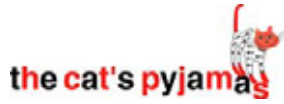
Revive Stores

Revive, our high street store in the centre of Liverpool, opened in 1998 and in June 2004, in Widnes. Our Revive brand sells pre-loved furniture direct to the public offering discounts to people on low-incomes.



Bulky Bob's

In 2000, we launched Bulky Bob's, a trading subsidiary and a furniture recycling company that collects bulky household waste on contract to Liverpool City Council, Halton Borough Council and collects white goods from Warrington Borough Council. Bulky Bob's also out-sources items of furniture and white goods for reuse, refurbishment and recycling.



The Cat's Pyjamas

In early 2001, we launched the Cat's Pyjamas, a joint venture company with Urban Strategy Associates that provides learning experiences in the realities of running a social business.

For a company map showing our trading subsidiaries, see appendix 1.

Our stakeholders

Our stakeholders are the people who matter to us, our direct customers and indirect customers, such as the tenants of the RSLs whose properties we furnish, also our employees, our trainees, our board of non-executive directors and the environment. A list of our stakeholders can be found in appendix 2.

Our aspirations and group objectives

Our objectives are:

- To be great to do business with
- To be a great place to work
- To be great for people
- To be great for the planet

And of course to be profitable in all of our business endeavours.

We aim to deliver on our triple bottom line all of the time throughout the year. Our objectives enable us to articulate how we do this. Being great to do business with means acting on customers' and suppliers' feedback. Being a great place to work means we take seriously what our employees think about working at FRC Group. Being great for people means offering training and job opportunities for the long term unemployed and getting low cost furniture to low income households through our Revive stores. All of this is carried out whilst we are working to be great for the planet and accounting for and improving on our environmental impacts. And we can never forget that we must always ensure that all we do means we have to be commercially minded and always deliver on our financial bottom line.

Our values: beliefs in action



Our values are fundamental to everything that we do; they are our beliefs in action. To remain relevant and successful in business, we may change our strategy, experiences and ideas as our environment changes but our values are about the way in which everyone at the FRC Group works. They keep us on the straight and narrow and we work hard to encourage all of our employees to champion them and we reward those who work in ways that demonstrate them.

We strive for Bravery, Creativity, Passion and Professionalism in all that we do.

We have devoted a full section to reporting on the ways we have worked on our values in 2005/2006. This can be found on page 49 of this report.

Our methodology

This has been yet another exciting year of change and challenge for the FRC Group, throughout which we have worked hard to include any new impacts of our activities in our accounting systems from the outset.

Data was recorded on a monthly basis as an integral part of our business practices and recorded in our triple bottom line accounts, which can be found in appendix 3.

This year we approached 12 different groups of people who matter to us and asked them for feedback on our performance throughout the year. Feedback was obtained using a number of different methods, by a variety of the Group's employees. Examples include postal questionnaires, telephone interviews and face-to-face interviews

For the sixth year running, we undertook a tenant survey for one of our RSL customers. This year we worked with Derby Homes to design and issue a questionnaire to gain tenant feedback and to assess the extent to which our Furniture Resource Centre's furnishing service makes a difference in the lives of people on low incomes and in housing need. On reflection we know that our level of stakeholder engagement could have been higher, especially in the identification of relevant material issues.

This issue of materiality is one we will address through our stakeholder engagement in 2006/07, asking the people who matter to us: how well have we performed against our objectives; are our objectives and the issues we work on right ones in the first place and what have been the impacts of our work upon them as stakeholders.

Questionnaire analysis was undertaken by our People and Learning Team's administrator, our Customer Services Team Leader and a PhD student from the School of Management at Liverpool John Moores University.

Once again we have measured the wider economic impact of the FRC Group's activities on the Merseyside area, and our contribution to the social economy. We used the New Economics Foundation's Local Multiplier 2 (LM2) tool to do this, along with other techniques such as calculating the social return on investment to the savings to the state through benefits no longer paid to, and income tax and National Insurance now paid by, the people that we support into employment.

Finally in the following table, we have reported how well we have done on the priorities and targets we set the Group for 2005/06. 😊 Represents a target met, 😊 where we made some progress but still aim for more and 😞 where we missed the mark. You will also find here our targets and priorities for 2006/07.

Throughout the report where we show performance data we have also, where possible, shown comparative performance figures for up to four previous years.

Category	Indicator	Targets and Priorities 2005/06	We achieved	Target 2006/07
Furniture Resource Centre	Financial performance	<p>Priorities Increase the sales and profitability of the Furniture Resource Centre</p>	☹	Increase the sales and profitability of the Furniture Resource Centre
	Business Development	Recruit a Business Development Manager for the Furniture Resource Centre by August 2005	☺	Not applicable
		Diversify our customer base within the RSL sector	☺	Increase activity on amovingexperience by 100% on 2005/06
	Customer Care	Design a clear timetable by October 2005 to gain more structured and timely feedback from more of our FRC customers	☹	Introduce quarterly feedback process for customers by September 2006
		Work with two social landlord customers to find creative ways of gaining feedback on furnished accommodation by March 2005	☺	Set up a focus group with a major customer and CS team by October 2006 to explore customer service issues
	Social Impact		—	Devise a robust measure to prove the impact furnished accommodation has in creating sustainable tenancies by February 2007.

Category	Indicator	Targets and Priorities 2005/06	We achieved	Target 2006/07
Bulky Bob's	Reuse and Recycling rate	Target Liverpool BB's exceed 37.7%	38.7% ☺	70%
		Halton BB's exceed 26.1%	24% ☹	Not applicable
	Business development	Carry out WEEE equipment recycling feasibility study	☺ Completed Spring 06	Oldham BB's 30%
		Priorities Recruit a Business Development Manager for Bulky Bob's	☺ October 05	Warrington BB's 100% of white goods
		Continue to investigate business opportunities for Bulky Bob's with the corporate sector	☺ Ongoing	—
		Develop our national strategy to win more bulky household waste contracts	☺ Ongoing	N/a
	Economic impact	Develop our work on the local economic impact of Bulky Bob's	☹	Continue to investigate business opportunities for Bulky Bob's with the corporate sector
		Establish the social return on investment (SROI) for the Bulky Bob's business	☹	One Local Authority signed up and 3 ready to sign by March 31 st 2007
	Customer Care	Ensure we get direct feedback from householders on all of our Bulky Bob's contracts	☹	Use LM2 on all Bulky Bob's contracts
		Environmental impact	Find more environmentally friendly options and business opportunities for the reuse and recycling of residual household waste	☺
				Ensure we get direct feedback from householders on all of our Bulky Bob's contracts
				Find the most environmentally friendly options and business opportunities for the reuse and recycling of residual household waste 2007.

Category	Indicator	Targets and Priorities 2005/06	We achieved	Target 2006/07
Revive Stores	Social impact	Targets Ensure that 84% of customers at Revive are from low income households	89% 😊	At least 84% of customers in Liverpool and 91% in Halton are from low income
		Priority Establish the local economic impact of the Revive business and investigate its social return on investment (SROI)	☹️	Establish the SROI of Revive stores
	Environmental impact	Maximise the reuse of furniture collected by Bulky Bob's through Revive	😊	

Category	Indicator	Targets And Priorities 2005/06	We achieved	Targets 2006/07
Cat's Pyjamas	Business Development	Priority Reinvent the Cat's Pyjamas	☹️	Priority FRC Group is to leave the running of Cat's Pyjamas to our joint venture partner for 2006/07 and review progress later in 2006/07

Category	Indicator	Priorities 2005/06	We achieved	Target 2006/07
Employees	Great place to work	Enter the best place to work index in 2005 and strive to be ranked as high as we can	☹	Not applicable
		Ensure all staff have a 'How's it Going' conversation with their manager by the end of February 2006	☺	100% employees agree HIG is a fair way to discuss their progress at work.
	Diversity	In the light of staff feedback continue to review and update our HIG process	☺	
				Publish Group's diversity policy by August 2006.
				Introduce diversity monitoring by September 2006
				Write a Group diversity action plan by October 2006

Category	Indicator	Priorities 2005/06	We achieved	Targets and Priorities 2006/07
Values	Values culture	Target Complete a review of our values system by March 06	☺	Increase the number of creativity and bravery awards given out to (Liverpool based) staff by 100% on 2005/06 performance
		Priority Ensure that we embed our values cultures in our new satellites businesses	☺	Priority Continue to embed our values curlier in satellite businesses

Category	Indicator	Targets and Priorities 2005/06	We achieved	Targets 2006/07
Trainees	Social return	Target Reduce those leaving early to 25%	13% ☹	Early leavers rate 13% or below
		Get 75% into jobs or further education	73% ☹	75% into jobs or further education
		Maintain 2004/05 level of trainees coming from BME communities	19% ☹	33% of trainees coming from BME communities
		Priority Continue to track leavers for up to 2 years.	☺	Track leavers for up to 18 months

Category	Indicator	Target 2005/06	We achieved	Target 2006/07
Health & Safety	Accident rate	Target Reduce rate from 0.71 accidents per employee to 0.65 accidents per employee	0.58 ☺ We have changed how we calculate this figure but still met the target	Reduce RIDDOR reportable accident rate in Liverpool by 20% on 2005/06 figures All logistics staff to attend 2 refresher courses All non logistics staff to attend one refresher course Priority Move to calculating rate of lost time per employee and report on it for separate operations

Category	Indicator	Targets and Priorities 2005/06	We achieved	Targets 2006/07
Environment	Carbon dioxide emissions	Reduce CO ₂ emissions from electricity use at FRC by 5%	Up 13% ☹	Reduce CO ₂ from gas and electricity usage at Head Office by 5% on 2005/06 figures. Reduce CO ₂ from 31301kg by 5% to 31145kg Introduce bio diesel fuel in our logistics fleet as soon as local supplies become available Off set the CO ₂ emissions generated through the Cat's Pyjamas air miles through a carbon off set programme
		Reduce CO ₂ emissions from the FRC Group logistics fleet by 10%	Down 2% ☹	Reduce by 5% on 2005/06 levels Reduce to 24.23kg/km
	Energy use	Maintain use of gas at FRC Brunswick Dock at 2004/05 levels	Up 5.9% ☹	Reduce gas usage by 5% on 2005/06 levels to 9882KWh
		Reduce levels of gas usage at Revive to 2003/04 levels	Up by 14.8% ☹	Reduce gas levels at Revive by 10% on 2005/06 levels. Reduce to 29,127kWh
	Water use	Maintain water use levels at 2004/05 levels	Down by 78.9% ☺	Maintain at 2005/06 levels of 3.1m ³ per person
	Staff training	Run at least one environmental awareness event for all staff	33% trained ☹	Run at least one environmental awareness training event for all staff
		Run at least one driving efficiency course for all logistics staff	Not trained ☹	Run at least one driving efficiency course for all logistics staff

Category	Indicator	Targets and Priorities 2005/06	We achieved	Targets 2006/07
	Environmental Impact	<p>Priority</p> <p>Switch to renewable sources of electricity for the FRC Group</p> <p>Carry out cradle to grave impacts for the products that we sell</p> <p>Seek feedback from three major customers on the environmental credentials if the products we supply</p>	<p>☹</p> <p>☹</p> <p>☹</p>	<p>Seek active advice on the cradle to grave impacts of our products</p> <p>Talk to three major customers about the environmental credentials of the products we supply</p> <p>Commit to identify and promote the environmental impacts of the products we offer on our furniture resource centre service</p> <p>Commission DTI fuel champ advice</p> <p>Benchmark our logistics performance against other companies in the waste and logistics industry</p> <p>Introduce an incentivised fuel efficiency programme for logistics staff</p>

This year's turnover £2,006,400, last year, £2,685,871

The Furniture Resource Centre was set up to provide furniture solutions for low income families so that those in greatest need could have access to furniture. We do this by running a 'one stop' furnishing business for RSLs. We provide packages of new furniture; white goods, carpets and curtains so that our customers can offer furnished rented accommodation to tenants. We also offer related services such as furniture rental, stock management and **amovingexperience**, our home removals service.

Our high street store Revive sells 'pre-loved' furniture collected by our Bulky Bob's service directly to the public and offers discounts to low-income customers.

In 2005/06 we furnished 2,974 properties, which is a decrease of 13% on last year (3,428: 2003/04) this had a disproportionate effect on turnover, which decreased by 25%. This is due to our larger customers being under increasing financial constraints and offering tenants less comprehensive packages of furniture. Our market is still changing, our longer-term customers have established furnished tenancies and no longer need large volumes of new furniture. We are now in the business of educating those RSLs, who have never run a furnished accommodation scheme to do so, arguing as we have always done, that offering furnished accommodation is a worthwhile strategy to create sustainable tenancies.

Achievement 2005/06

- Diversify our customer base within the RSL sector - 😊

We are increasingly working with specialist agencies such as hostels and asylum seeker agencies. This year we have seen many smaller and one off requests for furniture. The majority of one off customers furnish specialised hostels for specific needs such as foyers, domestic violence refuges and supported housing schemes. In addition we have been successful in attracting customers who operate within the social services field as opposed to general housing.

Achievement 2005/06

- Work with two social landlords customers to find creative ways of gaining feedback from tenants in furnished accommodation by March 2005 - 😊

This year we worked with one of our larger customers the ALMO (Arms Length Management Organisation) Derby Homes to survey their tenants about the benefits of furnished accommodation. Of the tenants who replied to our questionnaire, 89% of them had no or some furniture when they took up the tenancy.

When asked would they take a furnished tenancy if they had a reasonable income 59% said yes or maybe.

"I would like to say thank you for helping me because otherwise I would have had nothing. So thanks for giving me all the basic stuff you need for my flat".

"I would like to say thank you for helping me because otherwise I would have had nothing. So thanks for giving me all the basic stuff you need for my flat".

"Thank you for choosing me to fill out questionnaire. I think it's nice to see Derby Council generally care about their tenants and high standards of providing good and nice tasteful furniture that is modern for people's properties and homes. I think it is really caring and helpful of furniture

being provided to poor people who struggle to set their homes up"

And we believe comments made by some tenants show how furniture can help stabilise tenancies.

"I only have the white package furniture now (washer, cooker, fridge freezer). I had the rest of it taken away by the council a few years back as I started buying my own furniture, but it was really helpful when I moved in and had nothing"

Achievement 2005/06

- Recruit a Business Development Manager for the FRC business by August 2005 - 😊

We recruited a business development manager in August 2005 who has a background in housing management and has worked for one of our major customers. She has brought a practical understanding of the housing market into the Group, why RSLs offer furnished tenancies and what are tenants' needs. She has also brought the customer perspective right into our business and reviewed our approach to customer care and as a result our customers have noticed. We have already seen increased customer satisfaction.

"It's good to work with contractors that have first hand experience of dealing with our customers, that understands our needs and our clients needs."

Ian Fyffe, Furnished Tenancy Manager, Liverpool City Council

Achievement 2005/06

- Design a clear timetable by October 2005 to gain more structured and timely feedback from more of our FRC customers - 😊

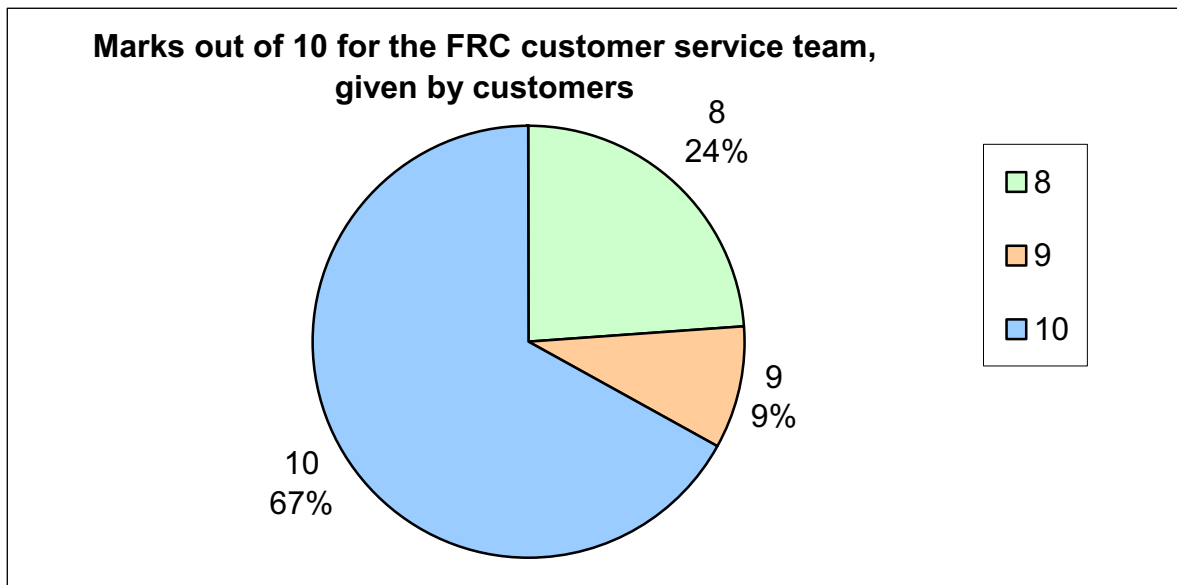
We were unable to meet this timetable but did carry out a survey in February when customers gave us the following feedback.

35% thought our delivery service was excellent and a further 65% thought it was good.

100% thought that our crews and vehicles were well presented and the delivery teams were polite and helpful.

Furniture Resource Centre customers gave our Customer Service Team the following marks out of 10 (67%), 9 (9%) and 8(24%) for politeness.

100% thought that our crews and vehicles were well presented and the delivery teams were polite and helpful.



“Your employees have helped me furnish several tenants at very short notice it was well appreciated”.

Liverpool City Council

“All employees have been excellent and respond several times to orders which need urgent delivery for emergency placements”

Rochdale Council

This year we began working with employees at Liverpool Housing Trust's (LHT) men's homeless hostels to develop a pilot project to address an issue for the hostel's long term residents who have been unable to take up offers of tenancies due to a lack of furniture and the lack of money to buy furniture. Our pilot will provide upfront packages of new and pre loved furniture to men leaving the hostel. The furniture will be paid for by a Community Care grant and the pilot's success will partly depend on LHT's ability to provide tenants with offers of accommodation. We plan to launch the pilot in June 2006.

" Our residents get offered a property but can't move in until they can buy essential furniture, they can only get essential furniture when their Community Care grant is processed. This can take a number of weeks but residents can't get Housing Benefit unless they live at the property, therefore some of our residents move into their new home and already have rent arrears!! This pilot will provide furniture upfront and assist residents in settling down in their new home, something some haven't had in years"

John Metcalf, Liverpool Housing Trust

Amoving experience our removal service carried out 127 moves for 13 RSLs, 6 of these moves were chaperoned. 80% of our customers surveyed said that our service was excellent.

"I was attracted to your company's ethos. We have used Revive Stores and this was a natural follow up"

"You have the best rates and the best service, plus all the extras"

"Excellent service and you have scheduled in short notice moves"

"I am totally happy, the residents are happy with the service- they are confident with the drivers now and they even recognise your vans".

In November 2005, employees approached us from Liverpool City Council's Green Lane Hostel. The hostel provides emergency accommodation for homeless males in Liverpool. They had had an infestation of cockroaches and had therefore had to close. Unfortunately funding was not available to refurbish the hostel until late 2006. They were looking for assistance to re open the hostel on a very small budget, we arranged to supply a combination of pre loved and new furniture at low cost that allowed them to reopen before Christmas 2005.

We are positive about the future of the Furniture Resource Centre, we're

Achievement 2005/06

- Increase the sales and profitability of the Furniture Resource Centre -



Although Furniture Resource Centre still struggled to make a profit - throughout the year the groundwork was carried out in submitting tenders and working with a more diverse customer base. Furniture Resource Centre has been successful in obtaining a number of new contracts that have commenced in the new financial year and we believe will come to fruition throughout 2006/07.

We are positive about the Furniture Resource Centre's future. We have spent the last year concentrating on sharpening up our customer care and understanding customer needs. We are now more confident than ever before, we are committed to developing a niche business with increased stakeholder dialogue and continuing to get furniture to those tenants who are in most need.

Targets 2006/07

- Increase the sales and profitability of FRC
- Increase **amovingexperience's** number of moves by 100% on 2004/05's activity
- Introduce a quarterly feedback process with all of our customers by September 2006
- Set up focus groups with one of our customers and their tenants so that our Customer Service Team can explore customer service issues by October 2006.
- Devise a robust measure to prove the impact furnished accommodation has in creating sustainable tenancies by February 2007.



Turnover this year £810,693, last year £758,005

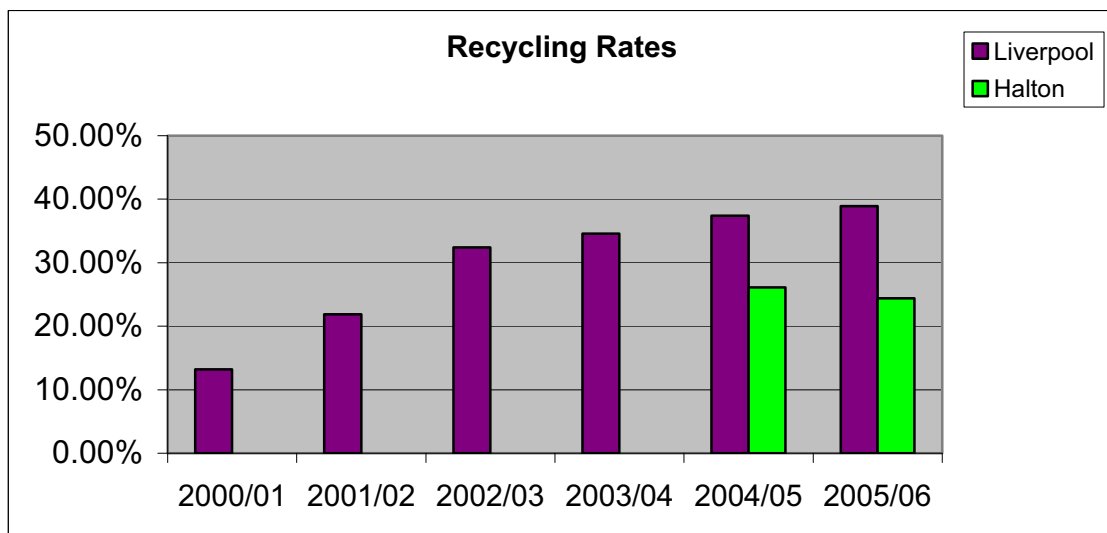
Our Bulky Bob's service offers local authorities an innovative collection service for bulky household waste that maximises the reuse and recycling of as much of the furniture and white goods that we collect. This year we have again exceeded our recycling targets and reused more goods than ever before running three collection services for Liverpool City Council, Halton Borough Council and a new service for Warrington Borough Council. In a pilot project we reused and recycled 71%.

In a pilot project we reused and recycled 71%.

Achievement 2005/06

- Improve upon our reuse and recycling rate of 37.7% by Liverpool Bulky Bob's - 😊

In Liverpool we were delighted to increase our recycling rate for the sixth consecutive year, reaching an average for the year of 38.7% (37.7%, 2004/05) (by tonnage). A total of 37,825 (31,928: 2004/05) items collected on our three collection services were reused or recycled – this is more than ever before. 26,075 white goods were sent to CREATE (23,918 2004/05) an increase of 9% on last year's figures of 4,054 (3,034 2004/05). An increase of 34% more items were sent to Revive Liverpool and Revive Halton to reuse and sell low-income customers.



We also got great feedback from our customers:

“Bulky Bob’s is a very professional organisation. The service they give to the public is excellent. As a client officer a service that does not generate complaints and goes the extra mile to resolve issues is extremely welcome”.
Liverpool City Council.

Achievement 2005/06

- Ensure that we get feedback from householders on all of our Bulky Bob’s collection contracts 😊

Liverpool City Council also gave us 8.5 out of 10 (9, 2004/05) on our customer service and 8.5 out of 10 (8.5, 2004/05) on how good we are for people and planet.

We sought feedback from the householders in Liverpool and Halton who had used the service throughout the year.

In Liverpool 93% of householders said that overall the service was excellent or very good. Eighty three percent of those asked said (93%, 2004/05, 61% 2003/04) that our crews were very polite or polite (n.b. 23% of householders in 2005/06 were not at home when the collection was made).

93% of householders said that overall the service was excellent or very good.

In Halton 70% said that overall the service was excellent or good and 56% said that the crews were polite (38%, were not in when Bulky Bob’s visited)

Householders also made the following comments about the service:

“Bulky Bob’s employees are fantastic”

“I like the way the reusable goods go to people who need them”

“Really nice bunch of lads”

“Disappointed the council decided to charge £10 for a collection (Halton)”

“Easier than getting rid of goods yourself and discourages fly tipping”

“Very efficient”

Our performance gave us the confidence to roll our business out to Warrington Borough Council, which we did in partnership with CREATE the Liverpool based social enterprise specialising in refurbishing, reusing and

recycling white goods. We only began collecting white goods in June 2005 and throughout the year collected a total of 4,941 white goods all of which were shipped to CREATE who have a refurbishment rate of 10% of all white goods collected through Bulky Bob's and strip parts and recycle the remainder giving a 100% reuse and recycling.

Warrington council gave us the following feedback on the service:

"Very contactable, professional approach"

"This is our first year of business with FRC but have had no serious concerns to date"

Brad Murphy, Warrington Borough Council.

They also gave us marks of 7 out of 10 for customer service and 7 out of 10 for how good we are for people and the planet.

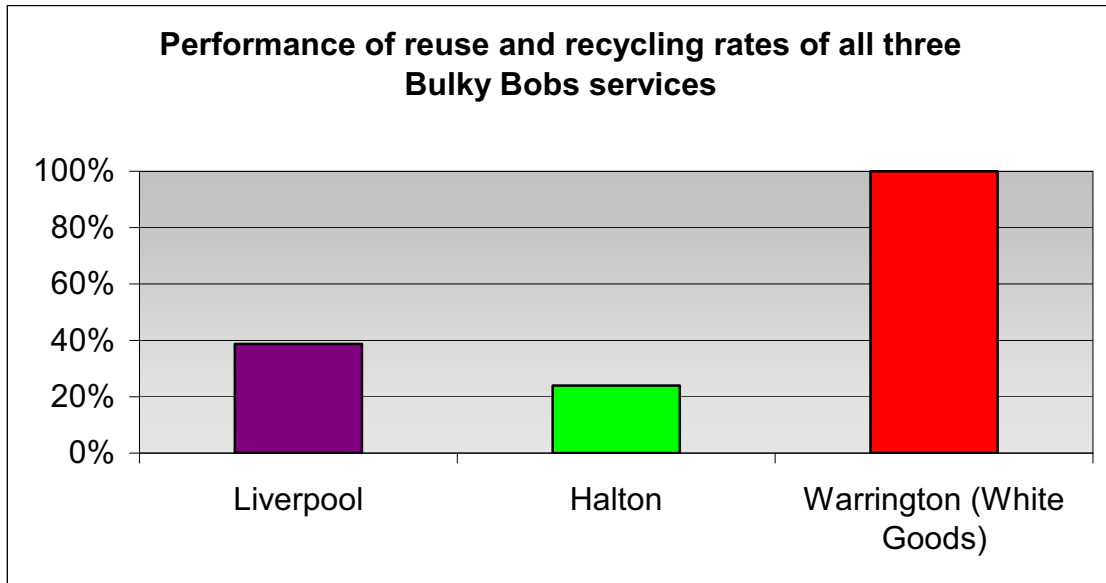
This partnership plays to our strengths; Bulky Bob's carries out the collections and CREATE refurbish the white goods collected. The service has opened negotiations with the council about expanding the service to collect furniture. We are in discussions with Warrington BC about how and when our expanded service would operate in 2006/07.

Achievement 2005/06

- Improve upon the reuse and recycling rate of 26.1% by Halton Bulky Bob's ☹️

We were disappointed that at the end of 2005/06 our contract with Halton Borough council was not renewed. We believe that this was through no fault of our own. In May 2005, Halton Borough Council (Halton BC), citing economic reasons, introduced a collection charge of £10 to householders requiring a Bulky Bob's collection. As we predicted this led to a dramatic fall of 40% in the number of calls for collections and consequently a 33% fall in the number of items collected 3,948 (5,914, 2004/05). On recycling rates we reached 24% and did not meet our target of exceeding 26.1%.

Halton BC could no longer afford to pay us for the service. After negotiations with them they decided to take the service back in house and after 3 years of working for them our contract was disappointingly not renewed.



Achievement 2005/06

Recruit a Business Development Manager for Bulky Bob's 😊

This year as part of our national development strategy for Bulky Bob's we recruited for the key post of Business Development Manager. He joined us from Liverpool City Council in October 2005 bringing a better understanding of the waste industry and insider insights into the mechanics of local authorities and their decision-making. His first task was to develop the work we had started on our national expansion strategy for Bulky Bob's.

Achievement 2005/06

- Develop our national strategy to win more bulky household waste contracts 😊

Throughout the year we have been in conversation with 20 local authorities on the possibility of providing Bulky Bob's services. Unfortunately dealing with some local authorities still continues to be a slow and frustrating process that requires many stops and starts when there are changes in personnel, in agendas and in priorities. Despite this we have now been working long enough with local authorities to be able to plan for this and we are very confident about the future growth of Bulky Bob's nationally.

Negotiations this year proved fruitful, as we will start our first satellite Bulky Bob's operation in Oldham in June 2006. Another plus for our protracted discussions with Oldham is that they have created much interest amongst neighbouring boroughs and we are confident about winning more work in this region in 2006/07.

Achievement 2005/06

- Continue to find more environmentally friendly options and business opportunities for the reuse and recycling of residual household waste. 😊

Despite reaching a higher reuse and recycling rate than ever before on our Bulky Bob's Liverpool collection, we have always known that with our existing collecting and sorting methods, we would probably never achieve a reuse and recycling rate more than 40%. So this year we spent more time researching how we could reduce the amount of waste from Bulky Bob's collections going to landfill and increase the reuse and recycling of what we collect. A two week on-site action research project showed that through furniture deconstruction and sorting component parts, it is possible for Bulky Bob's to reach rates of 71% of reuse and recycling of all goods collected.

We are very excited about this and what it means for what we can achieve in terms of reuse and recycling, positive environmental impacts and for the added value that we can bring to the table in potential contracts. At this stage we are unwilling to report any more details. FRC Group has a history of being highly innovative. We are very good at inventing ideas, only to find that we have been naïve or too open about them and have found ourselves up against a competitor in a market place that we created in the first place. Experience is making us more cautious.

We are still working on the details of deconstruction and already have existing and potential customers who are very interested in the operation, which we plan to roll out commercially in 2006/07.

Achievement 2005/06

Carry out a feasibility study to establish opportunities for recycling more WEEE equipment from Bulky Bob's 😊

Our discussions with potential business partners led to develop our business plan to strip out valuable lead-rich glass for recycling from TV monitors and computer screens. We also joined a consortium to bid for a contract with REPIC (Recycling Electrical Producers' Industry Consortium). If we are successful we will annually recycle the components of thousands of TVs and computer monitors creating a new business, creating job and training opportunities for socially excluded groups. We will also be able to exploit many more opportunities for waste collection and recycling created under the White Electronic and Electrical Equipment (WEEE) directive.

However, recent delays in the implementation of the WEEE Directive mean that, if successful, we are unlikely to start this work until July 2007 at the earliest. We are still researching other business possibilities that could be developed as a result of the legislation.

Achievement 2005/06

- Continue to investigate business opportunities for Bulky Bob's with the corporate sector. 😊

We continued to collect wholesale furniture collections from various locations owned by a major hotel chain and also from a major holiday camp, which were sold through Revive. This year we collected 1,965 items of furniture in this way.

We worked closely with St Helens' Chamber to secure Defra funding through BREW (Business Resource Efficiency and Waste Initiative). This fund is part of Defra's strategy to get more businesses to work on a more environmentally friendly reuse agenda.

From May 2006, we will offer a collection service for unwanted furniture and office equipment from offices, shops and hotels in the St Helens area. This will give Bulky Bob's the opportunity to show that a commercial bulky waste collection service can be successful. We aim to reuse at least 25% of the bulky waste collected and recycle another 25% of the waste.

Achievement 2005/06

- Develop our work on the local economic impact of Bulky Bob's. 😊
- Establish the social return on investment for the Bulky Bob's business. 😊

Once again we investigated the impact that our activities have on the local economy. We used the New Economics Foundation's Local Multipliers 2 tool (LM2)¹ to do this.

In Liverpool 72% (62%, 2004/05) of Bulky Bob's income was redistributed into the local economy through payments to suppliers and staff wages. On the Halton Bulky Bob's contract 44% (46%, 2004/05).

We have not, as we had hoped, due to a lack of resources, expanded this work to LM3 levels. LM3 adds a further level of detail and therefore greater confidence in the results. We did begin work on calculating the social return on investment (SROI) for Bulky Bob's but we have not finished it in time to be included in this report. We have begun the SROI of our training programme, which can be found on page 47 of this report. Expanding the scope of SROI work is something we wish to embark on in 2006/07.

In Liverpool 72% of Bulky Bob's income was redistributed into the local economy.

Bulky Bob's also offered logistics support to the Roy Castle Centre, a Liverpool based charity that runs a chain of second hand shops. They are

¹ www.nef.org.uk

regularly given donations of surplus stock by the shopping channel QVC. Bulky Bob's offers logistics support for the collection and distribution of these goods, a storage facility for the materials and allows their employees to repack goods and send them out to their shops. In this way we share resources and ensure more items are reused whilst supporting the work of another local charity.

"Better organised, more efficient, friendlier and having a higher regard for Health and Safety "

Pat Tisdale, Roy Castle Foundation, Liverpool.

Once again we showed innovative ways to support the sector. We set up a stock swap scheme with WIRE a Wirral based furniture donations charity, where we swapped our surplus beds for sofas that we needed for Revive.

Our Bulky Bob's operations are expanding both geographically as we open more operations and in the scope of the materials we reuse and recycle. We have learned a lot this year and given the Government's growing agenda on waste management, we see many opportunities for us to seize and expand our business whilst increasing recycling rates and continuing to offer more training and job opportunities for those from socially excluded backgrounds. We are also very excited about the future of Bulky Bob's and developing this business in 2006/07.

Targets 2006/07

- Reuse and Recycling rates more than 70% on operations where we run deconstruction.
- Reuse and Recycling rate for Oldham - 25% (does not include deconstruction)
- Get one local authority signed up and 3 ready to sign by March 2007
- 100% reuse and recycling of white goods on Warrington Borough Council contract
- Prove the SROI for Bulky Bob's activities on two contracts
- Ensure we get direct feedback from householders on all of our Bulky Bob's contracts.



Turnover this year £218,837, last year £170,481

Revive stores are our presence on the high street in Liverpool and Widnes where we sell quality pre-loved and low-price ex-catalogue furniture at discount prices to low-income households. Our pricing policy is to give a 10% discount to customers in receipt of benefit and a 20% discount to customers who come to us through a referral agency. We target our bargains at the people who need them most and also give referral agency customers a free delivery service.

Achievement 2005/06

- Ensure that 84% of customers at Revive are from low-income households 😊

This year 2,938 (3337, 2004/05: 3,408, 2003/04) customers shopped in Revive Liverpool and 537 (529, 2004/05: 96, 2003/04) in Halton. On average 89% and 95% of customers were from low-income households in Liverpool and Halton respectively. This is an improvement on previous year's figures of 83% in Liverpool (84%:2003/04) and 82% Halton.

This year sales of ex-catalogue stock equated to 22.5% of sales (21%, 2004/05: 30% 2003/04). We sell ex-catalogue stock to keep enough stock on our shop floor and to meet the demands of our customers. We also believe that people on low income, who are the majority of our customers, should have as much choice as possible.

This year 85% of sales in financial terms was to low-income households, compared to last year's figure of 71%. In 2005/06, 85%, (83%, 2004/05: 81% 2003/04): of the people who bought from Revive Liverpool were in receipt of benefit, students or pensioners and a further 4% (4%, 2004/05: 8%, 2003/04) came through referral agencies, giving a total of 89% (2004/05) of purchases being made by people on a low income. The remaining 11% received no discount, as they were not in receipt of benefit

This year 85% of sales in financial terms were to low-income households,

What this shows is that although we had fewer customers, the number of customers from referral agencies remained at 4% as it has been for the previous two years. If we are to improve on this we must put more time and resources to get out to referral agencies and alert them to what Revive can offer their clients. The figure for referral agency customers was higher at Revive Halton –12% where the more recent efforts made to contact these agencies has paid off.

Achievement 2005/06

- Maximise the amount of furniture collected by Bulky Bob's that is reused through Revive - 😊

This year we sent a total 4054 items collected on Bulky Bob's to the Revive Liverpool (3488 items) and Revive Halton (566 items). This is an increase of 34% on 2004/05 when we sent a total of 3034 items (2,606 and 428 items respectively) to the stores.

This year we opened another outlet for pre-loved items at Liverpool's Heritage Market, a discount Sunday market at a dockside venue, with a turnover of £31,335 for the year. The Heritage Market was an outlet for even lower cost items than at our Revive stores. Prices were so low that we did not offer a discount scheme on items sold there. However, we fear that in 2006/07 rising rent prices may force us to leave the Heritage and we will lose this outlet for our very low cost and lower quality items.

In March 2006, we interviewed 50 Revive Liverpool customers on the shop floor. 30% (49%, 2004/05) were retired, 38% (26%, 2004/05) were working and 30% unemployed, (49%, 2004/05) were working, 2% were 'other'. The profile of our customers remains unchanged for the past 3 years since we started carrying out customer surveys in this way.

90% commented that the quality of goods on sale was excellent or very good.

86% of them had visited Revive before and 78% (69%, 2004/05) knew that we offered a discount scheme. 90% commented that the quality of goods on sale was excellent or very good. 54% (65%, 2004/05) of our customers had travelled to the shop by bus and 44% (79%, 2004/05) said they had first noticed the shop as they had passed by on the bus. 78% had visited the shop during the previous 6 months (43%, 2004/05: 45%). The main reasons they gave for visiting the shop were as follows:

- 20%, (0%, 4%, 23%)* in great need of furniture
- 8% (10%) the price of products
- 6% (24%) range of products
- 38% (59%) just to have a look around

We also asked our customers where they thought our furniture came from. While 26% (23%, 2004/05) thought it was donated, 30% (35%, 2004/05) understood the link between Bulky Bob's and Revive and 34% (34%, 2004/05) did not know.

* Figures in brackets show previous years' figures

Revive is clearly still helping the FRC Group meet its social aims. A record 85% customers in Liverpool and 91% of customers in Halton were from low-income households with many returning time and again to catch the best bargains.

Achievements 2005/06

Establish the local economic impact of Revive businesses and investigate their social return on investment - 😞

Disappointingly we just did not have the time and resources to investigate the social return on investment that our Revive stores bring. We are still very keen to establish this and aim to find the resources in 2006/07

We also need to continue to offer the best bargains that we can to our customers and work hard to give customers a balanced product mix of pre-loved and ex-catalogue furniture.

Targets 2006/07

- Maintain level of low-income household customers at 84% in Revive Liverpool and 91% at Revive Halton
- Calculate the SROI of our Revive store



We invented the Cat's Pyjamas in 2001 with our joint venture partner Urban Strategy Associates to organise innovative events to help individuals and organisations learn about the social enterprise business model.

This year we ran three main bespoke events for three very different clients: a two day course introducing social enterprise to the West Yorkshire Enterprise Partnership; a team building event for the DTI's Social Economy Team and a Business Leaders programme for Motorola directors from across Europe, USA, Russia, China and South Africa where we took them to South Africa to visit leading and inspiring social enterprises.

Achievements 2005/06

- Reinvent the Cat's Pyjamas - 😊
- Work with private sector companies to develop their corporate social responsibility agendas - 😊

This year in the light of these events and the Group's other business priorities we reviewed the future of the Cat's Pyjamas business.

There is no doubt that the Cat's Pyjamas has been a fantastic vehicle for the FRC Group to raise its profile and publicise our thoughts on the development of the UK's social economy.

For three years, (2001 – 2004) we ran three-day events showcasing the best of social enterprise on Merseyside. We also organised similar one off events in Bristol, London and Sheffield. We ran master classes in social accounting here in Liverpool and in Nottingham. We also ran bespoke events for business development organisations in West Yorkshire and Hull.

We took leaders from some of the best social enterprises and policy making organisations on a Top Cat trip to the USA and a Big Cat trip to South Africa to see some of their best social enterprises. We also took directors from Motorola to South Africa.

The book 'There's No Business Like Social Business' was also a Cat's Pyjamas production.

Interest in the original product as an event to showcase the best of social enterprises has been copied by an increasing number of competitors who have been able to undercut our prices, offering subsidised places and for many a more local experience. As a result we have not been able to run a three-day event since late 2004. In May 2005, we also had to cancel a social accounting master class due to lack of interest.

We have not marketed the offer of bespoke events and when we have been asked for consultancy advice we have channelled this through our FRC Solutions business.

This year when we reviewed the business we concluded that the Cat's Pyjamas events have increasingly diverted employees time and attention from our own increasingly complex core businesses. Working on the Cat's Pyjamas has an opportunity cost for the other Group activities. It was agreed with our Board that we would put the FRC Group's involvement with the Cat's Pyjamas on hold for a year – leaving its running and development to Urban Strategy Associates. We will keep up to date with business activities and decide on our future involvement towards the end of 2006/07.

Targets 2006/07

- Review the Cat's Pyjamas progress later in 2006/07

FRC Solutions

FRC Solutions is the brand name of our FRC Trading Ltd. It offers a consultancy service designed to meet the bespoke needs of organisations that want to learn from our experiences of running a social business.

FRC solutions is a useful part of our business, it enables us to earn an income through offering advice to and coaching other organisations. In doing this we reflect on our own organisation's learning – what have we done well? What not so well? And what would we do differently in the future?

This year we worked with a range of organisations across the UK including social businesses, charities, local authorities and other consultancies. Once again they were interested in a range of aspects of our business from how we work with local authorities to how we developed our environmental management system to how we build our values culture. We carried out 15 days of paid consultancy work and hosted several visits for social enterprises and non-governmental organisations for which we did not charge.

We will continue to offer our services through FRC Solutions and continue to believe that, as this business is essentially reactive, work carried out through FRC Solutions should not be at the expense of our other, more income generating, businesses.

Our Employees

Being a great place to work is a key FRC Group objective- the way that we employ and engage with our employees and trainees is at the heart of who we are and how we want to be as a business. Our employees are one of the most important stakeholders we have in our business and we want to maintain our fair and empowering culture.

Employee numbers 2005/06

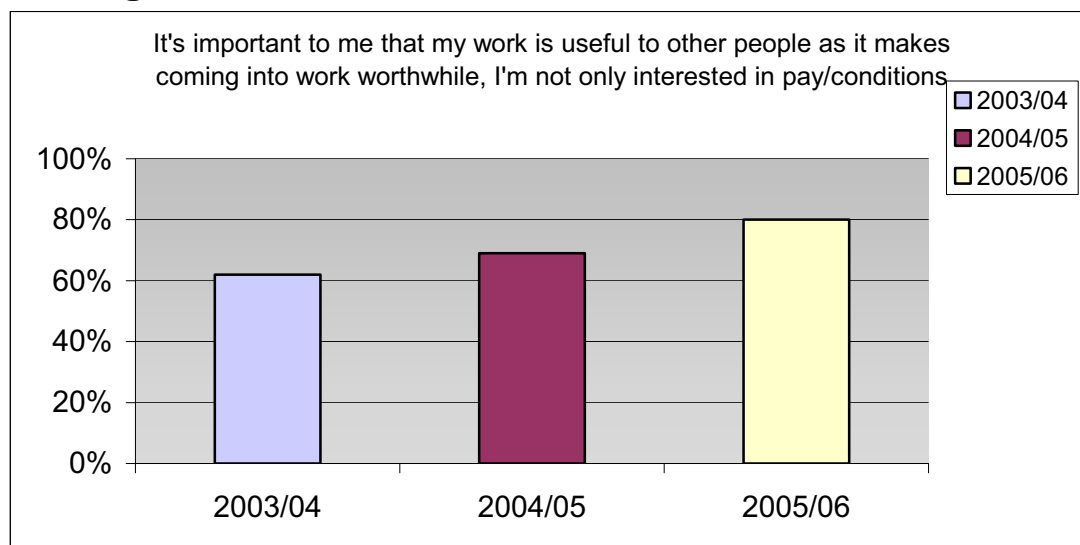
We started the year on 1st April with 2005, with 74 people on payroll and ended it with 71 and two volunteers. We had 11 new permanent starters and 16 new trainees, making our employees turnover (excluding our trainees) 22% (33%, 2004/05).

There were a total of 39 leavers across the year. 23 of these were trainees who came to the end of the 12-month contracts. Of the 16 permanent employees who left 2 had contract terminated (1 due to ill health), 2 came to the end of their short term contract, 2 were made redundant, 1 retired, 1 left to have a baby, 2 resigned and 6 left for a new job. During the year we created three new posts and over the course of the year we employed 113 people (108, 2004/05: 162, 2003/04: 112, 2002/03) and had 10 placements.

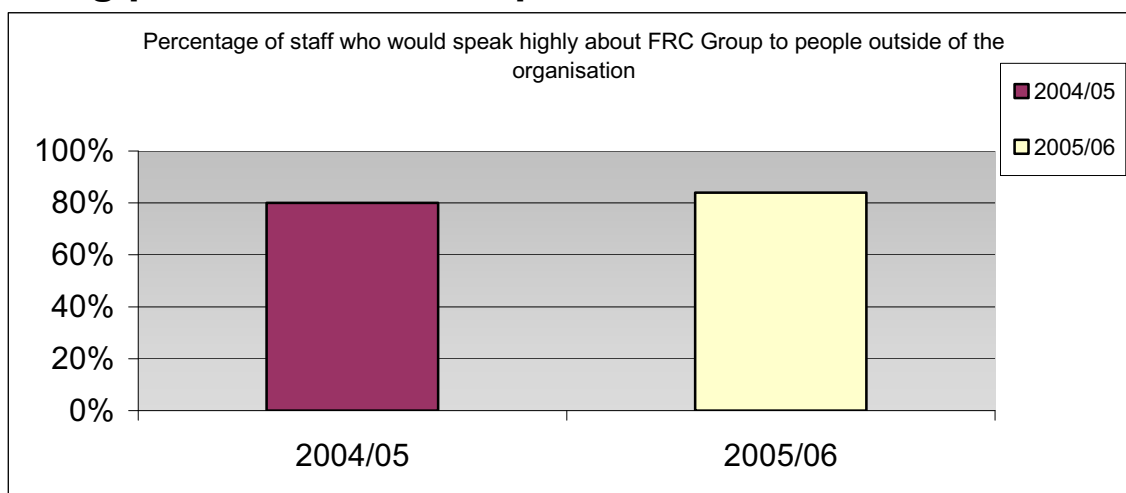
Employee feedback

Striving to be a great place to work includes listening to employees. We do this every year in our annual employee survey. This year we asked our employees what they thought of FRC Group, their terms and conditions, training, supervision and our values culture. 82% responded (80%, 2004/5: 61%, 2003/04: 44%, 2002/03).

Making a difference



Being proud of FRC Group



Achievement 2005/06

- Enter the Best Place to Work Index in 2006 and strive to be ranked as high as we can be - 😊

In February 2005, we were awarded 26th place in the Best Place to Work Index². This year, due to financial constraints, we chose not to enter the Best Work Place Index 2006 choosing instead to enter for other awards and seek direct feedback from our employees and use this to measure how well we are doing against our objective of being a Great Place to Work.

Our University for the People

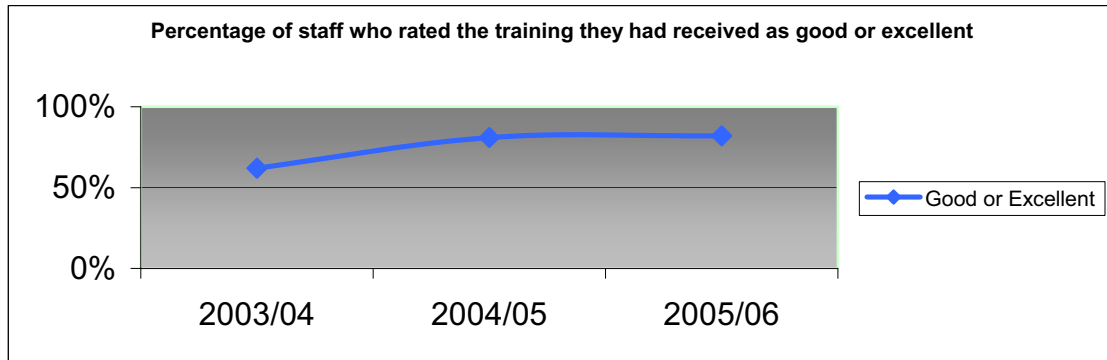
We believe that your past should not determine your future, it should, instead be your efforts in the here and now. To do this worthwhile training and personal development opportunities are crucial and we develop our employees through our on site virtual University for the People. We provide job related training through the day and after work, hobby and cultural activities for employees to develop their interests outside of work.

Our University for the People delivered 366 courses

The University delivered 366 courses (240, 2004/05) equating to 1,682 hours (1,371, 2004/05) worth of training. Of these, 275 courses were job related training and 89 hobby type courses.

82% of employees agreed that the quality of the training they had received had been excellent (33%) or good (49%). Also 84% (86%, 2003/04) believe that they have had enough training to do a good job. 78% believe that our training would help them get a job elsewhere.

² www.greatplacetowork.co.uk



The hobby and cultural courses that we offer allow employees who may not work together to socialise and give them a chance to try out activities that they may have never considered, or been able to afford before, such as wine tasting, a ghost tour of historic Liverpool or paintballing. With so much more now happening in Liverpool with Capital of Culture the University also publicises cultural events around the city. Our employees said;

“Useful as we get to do things we would normally not do. It also lets me meet workmates away from the workplace”

“It’s a good idea because it lets us know what’s going on around the area”.

“Very good opportunities, just wish I had the time to take more things up”.

“Very good and brings the people together.”

This year only 52% of our employees attended one of the hobby/cultural courses with 56% percent of them citing difficulty of attending after work courses and 32% stating nothing offered had interested them for reasons of non attendance. We will address this issue in 2006/07 as we are as passionate as ever about offering our staff as many personal development opportunities as possible and see this as key to the services of our University

Overall we are pleased with the progress of our University we set it up to offer employees opportunities for them to develop themselves professionally and personally. Feedback is consistent with that for the last three years and confirms that overall our University continues to make the impact that we want upon our employees.

How's It Going

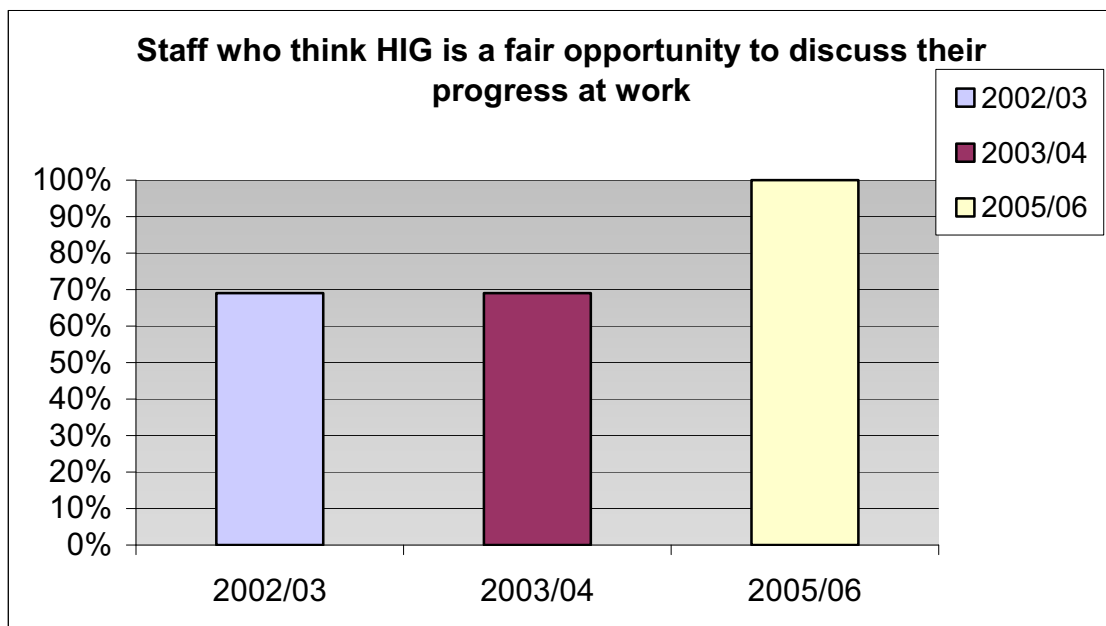
At FRC Group we have turned the traditional approach to appraisals on its head and invented How's It Going – Each year all employees have at least one structured conversation about their job, their performance, their personal development and their views on the company. We call this How's it Going. We also run How's It Going sessions for teams where we collectively give feedback and discuss a team's performance.

Achievement 2005/06

- Ensure all employees have a HIG conversation with their manager by the end of February 2006. 😊
- In the light of employees feedback continue to review and update our HIG process. - 😊

This year we reviewed the process with Team Leaders and started one to one meetings with them after Christmas 2005. We have ensured that all employees will have been through the process by the end of May 2006.

When our employees gave their feedback on this year's How's It Going 100% thought that it was a fair opportunity to discuss all of the following: their progress at work; how they felt about their jobs; their relationship with their team leader and their training needs and aspirations. This is a vast improvement on feedback two years ago when we asked employees the same questions.



n.b - Employees were not asked this question in the 2004/05 employees survey

Employees also said:

“More concise than previous years. Encouraging and positive”.

“I think it’s a good thing to discuss to your leaders, the things you really feel about your feelings in the way the firm runs”.

“Personal H.I.G. - Good opportunity to find out how my position in the department is contributing. Good one to one opportunity to ask any questions”.

“Difficult to discuss true feelings about team leader as “How’s it Going” held with team leader”.

“Different to appraisals I’ve had in the past. Different but better”

We are keen to mature and improve our How’s It Going process. This year we re-introduced 360-degree appraisals for the three Group directors (our Leadership Team) for them it was a natural step given the seniority of their work and the fact that they had a new team member. We are pleased with the smooth process, will improve it and will repeat in 2006/07.

Supervision

It is important that employees get feedback and guidance from their team leaders, that they are trusted and that they feel they can contribute ideas and suggestions. We asked employees to give feedback on a series of statements about their team, leaders (**Figures in brackets are for 2004/05, 2003/04, 2002/03 where possible**)

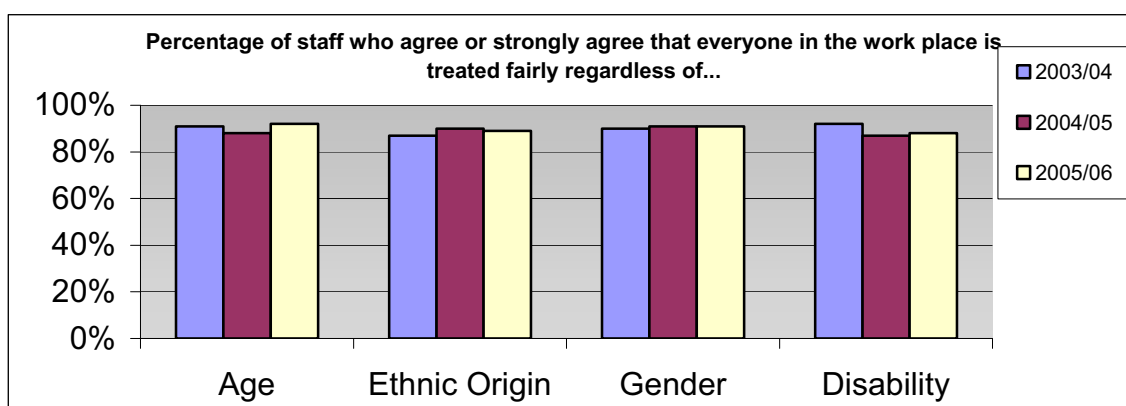
- 94% (81%) said that their team leader was approachable
- 90% (83%) said that they are trusted to get on with their jobs
- 78% (62%) said their team leader encourages ideas and suggestions
- 55% said their team leader rewards good performance
- 79% said their team leader deals with poor performance when it happens
- 85% (61%: 2003/04) said they would get personal support if upset about a personal issue
- 82% said they have a say in decisions affecting their work (63%, 60%, 75%)
- 68% (62%, 57%, 55%) said their ideas are taken seriously
- 98% said they have a clear understanding of their role and responsibilities

Overall we can see we have really improved year on year this area. Our employees feel better supported than ever before and we need to work hard to ensure that this continues. We must also concentrate on improving how we reward good performance and get better feedback next year.

Equal Opportunities and Diversity

FRC Group strives to be an equal opportunities employer and encourage diversity. On 31st March 2006 our male/female ratio was 3.4:1 which is an increase on last year's male: female ratio of 3:1. Amongst the 12 people with managerial responsibilities the male: female ratio has also increased to 1.6: 1(1:1 for 2004/05 and 2003/04) with none from an ethnic minority background (1 in 2004/05).

We asked employees to give feedback on diversity issues



Clearly most of our employees do not feel that discrimination due to diversity and disability are an issue at FRC. In a city where 9% of citizens are from ethnic minority backgrounds 14% of our employees throughout the year were from an ethnic minority (9%, 2004/05: 12%, 2003/04) background.

14% of our employees throughout the year were from an ethnic minority

Clearly there is a challenge for us to do all we can to offer opportunities for those from ethnic minority backgrounds as well as we can do. This will be something we have to address next year as we open a Bulky

Bob's operation in Oldham, a town with a much higher level of citizens from ethnic minority backgrounds (19%)

Since March 2003 we are committed to increasing the number of logistics trainees recruited from the BME community in Liverpool (9% of the city's population and 37.5% of the Toxteth district in which we are based). We achieved a 33% BME recruitment rate in 2004/05 and wanted to hit this stretching target again in 2005/06. However, this year saw a restructure to the People and Learning Team and the reduction in resource, which made it harder to engage with BME communities in Liverpool to the extent to which we have done in recent years. This resulted in us recruiting only 19% of trainees (33%: 2004/2005) from the BME community.

Achievement 2005/06

- Maintain our level of at least 33% of trainees coming from BME communities - 😞

The resources issue was addressed late 2005/06 and we can now concentrate efforts targeting the BME community to join our training programme for 2006/07. Given our forthcoming launch of Bulky Bob's in Oldham MBC we remain committed to a Group BME target of 33% for trainees.

This year saw our first ever woman join the Logistics Training programme. Her recruitment is in line with our strategy for the next 18 months, which is to concentrate our efforts in recruiting more women and trainees from the BME community on to our training programme. Her training successes with us led her to win Trainee of the Year in the New Stateman's, Edge Upstarts Awards 2006.

This year we have drafted our first Group diversity policy, which is to be published in 2006 along with this we are improving on our diversity monitoring procedures with our employees so that we can fully record diversity metrics and devise a suitable action plan.

Targets 2006/07

- Publish Group's diversity policy by August 2006
- Introduce diversity monitoring by September 2006
- Write a Group diversity action plan by October 2006
- 100% employees agree HIG is a fair way to discuss their progress at work.
- Achieve 33% Group recruitment of trainees from BME community in Liverpool and Oldham.

Health and Safety

Attention to health and safety makes good business sense and we regard our performance as important as any other business objective. We continued to train all new staff on health and safety matters and ran two refresher courses attended by all logistics and warehouse employees.

We expanded membership of the employees Health and Safety committee to better reflect all of our business activities and continued to report our Health and Safety performance on a regular basis to all employees. Groundwork Wirral remained as our professional Health and Safety advisors.

For funding purposes we monitored the time 10 members of the Health and Safety committee spent on Health and Safety matters between September 2005 and April 2006 – total 100 hours between them.

Our Bulky Bob's collections and warehouse operations were subject to three in depth Health and Safety checks by Liverpool City Council.

We were awarded the highest scores possible in the two observational checks carried out in September 2005 and March 2006. They also said:

“Bulky Bob's has a positive health and safety culture which could be improved by documenting on going good practice. With little work the score of this audit could be improved substantially if documentary evidence is proved in the next audit”

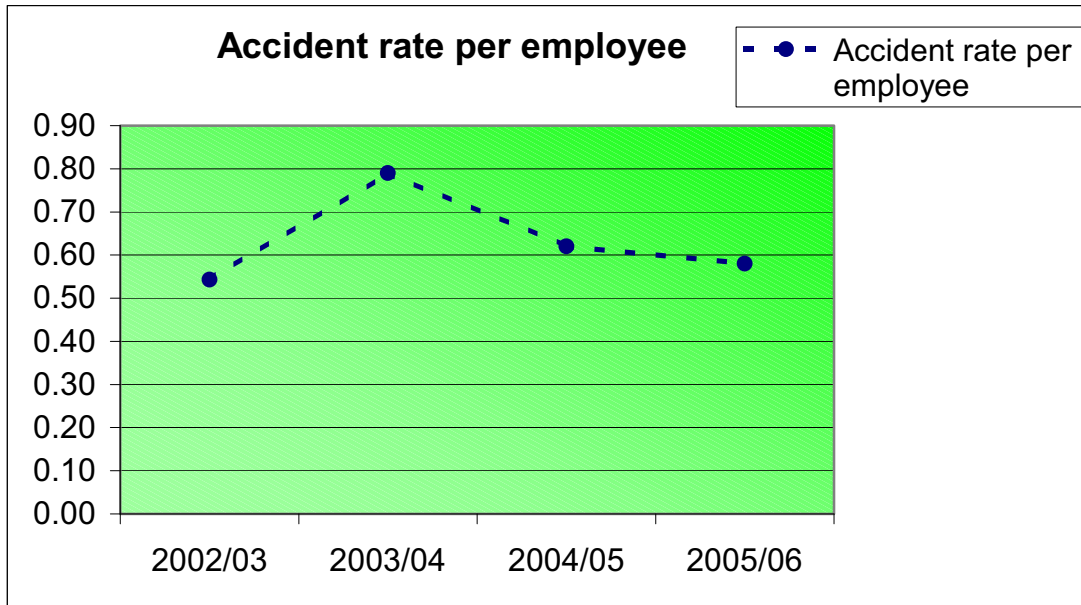
Liverpool City Council, October 2005

Achievement 2005/06

- Reduce our accident rate from 0.71 accidents per employee to 0.65 accidents per employee - 😊

** The way this figure has been calculated for our performance over the last three years has been changed to improve consistency and still shows a decrease year on year.*

The total number of accidents reported for the year was 41 (50, 2004/05: 61, 2003/04). This equates to 0.58 per employee, which was once again an incremental improvement on previous years' accident rates - (0.61, 0.78). 73% of accidents this year were minor slips and trips.



Of this year's 41 accidents we were obliged to report 10 of them to the Health and Safety Executive under the Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR). All were investigated. This figure is slightly up on last year's 9 and 8 in 2003/04.

This year we invited the Roy Castle Smoking Cessation team in for the third year running to work with the smokers amongst our employees to encourage them to quit smoking.

When we asked employees if they believe that their place of work is a clean, healthy and safe 88% of them agreed with this statement. (85%, 2004/05: 80%, 2003/04).

We believe our messages and training efforts made a difference and in the type of business that we are in health and safety issues remain highly important. We must continue to keep a close eye on our targets throughout the year and endeavour to reduce accident rates by fostering more awareness through training, communication on accident rates and constant review.

Targets 2006/07

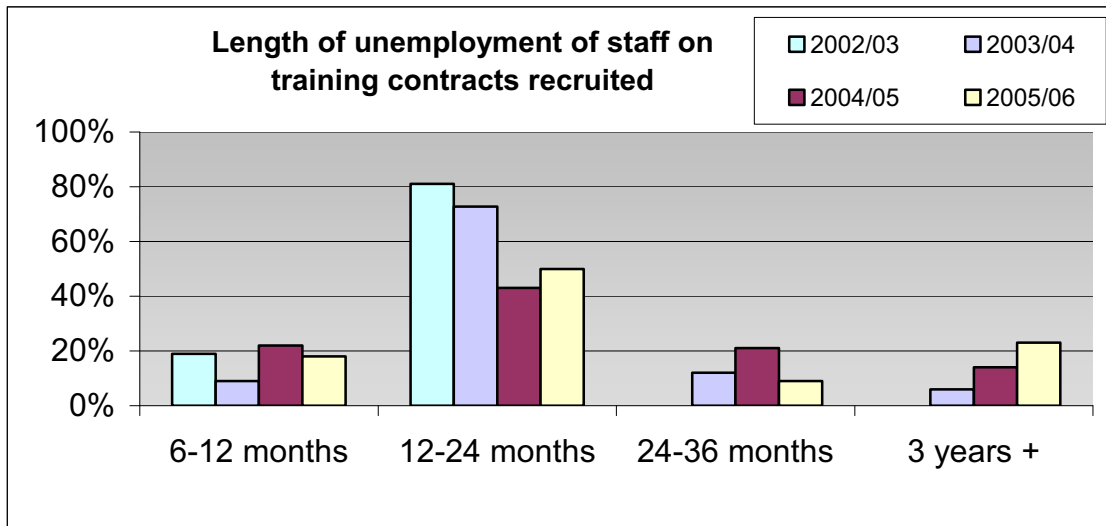
- Change the way we calculate our accident rates – move to a rate of lost time per employee and report on this for separate FRC Group operations
- Reduce the number of RIDDOR reportable accidents on the Liverpool logistics base by 20%
- Ensure all logistics and warehouse employees under go at least two Health and Safety refresher courses throughout the year
- Ensure all non warehouse employees undergo at least one Health and Safety refresher course in 2006/07

Our Trainees

FRC Group creates salaried training opportunities for socially excluded people at the heart of our business in our Logistics Team working on the Bulky Bob's and Furniture Resource Centre operations driving and loading our trucks and working in our warehouse. In doing this we raise individual's skill levels, work ethic, motivation and confidence, giving previously unemployed people a chance to compete more effectively for employment opportunities and start a career in logistics, an industry where qualifications are expensive and beyond the reach of beginners.

Although Liverpool is currently undergoing an economic renaissance, with new and existing businesses bringing new jobs to the city, the current rate of unemployment in Liverpool is 6%, which is still higher than the national average of 3.1%. Through our Intermediate Labour Market (ILM) programme we seek to address unemployment in Liverpool, as well as providing skilled employees to the logistics industry where there is currently a national shortage of 17,000 drivers. (Source: Skills for Logistics, January 2006)

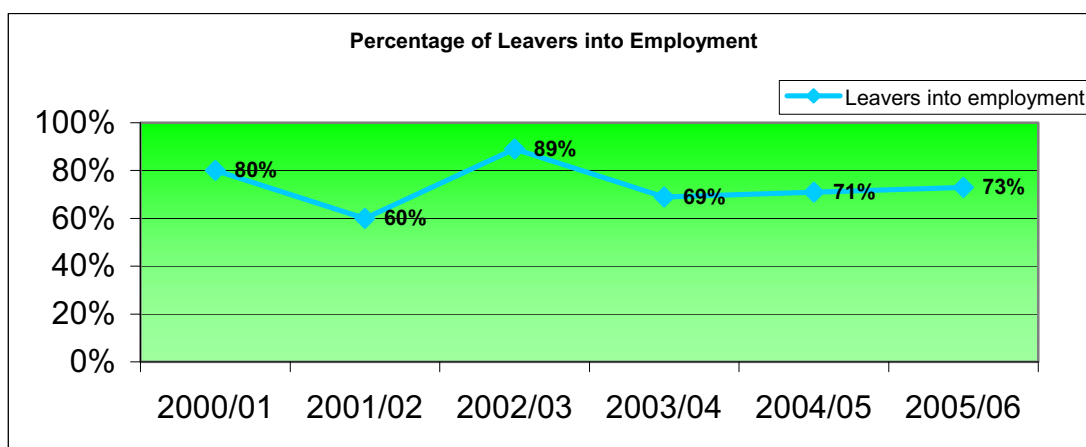
Over the course of 2005/2006 we employed 35 different people on 12-month training contracts in Logistics (43, 2004/2005.) Of all the trainees we recruited this year, 13% had been unemployed for 7-12 months (9% 2004/2005), 45% for 13-24 months (29%, 2004/2005), 14 % for 25-36 months (33%, 2004/2005) and 28% had been unemployed for 36+ months (29%, 2004/2005). 86% had been unemployed for over 12 months.



We continued to use European Social Funding (ESF) to fund 45% of the employment and training costs of trainees on our ILM programme in Liverpool. This year we match funded £91,405 from FRC Group's sales income. We spent a total of £169,235 on trainees this year, of which £18,613 was spent directly on training costs. A big challenge for us next year is to find alternative sources of match funding for our training programme.

Achievement 2005/2006

- Get 75% of our leavers into jobs or further education 😊



73% of trainees went into jobs

Of the 23 training employees that left in 2005/2006, seventy three percent (71% 2004/2005) went into jobs. We changed the way we recruited this year to attract people who really wanted a career within the Logistics Industry, rather than those who just wanted any job. This meant that people who we recruited had a clearer vision about what they wanted for the future, which meant that they were more determined to complete their training and get a job.

Achievement 2005 / 2006

- Reduce our early leavers to 25% 😊

This year we had to terminate the employment of only 1 trainee. (7 trainees 2004/2005) The changes we made to our recruitment campaign attracted people who were long term unemployed and came with the same barriers to employment as past trainees: lack of basic skills and qualifications, low confidence and self-esteem, benefit dependency and a lack of motivation. However, this year's recruits were different in that they were clearer about what they wanted for their future and how FRC Group could help them to get there. This means that although we continued to be tough on trainees by tackling attitudes to work and absence issues, this only resulted in one contract being terminated. All trainees have a two-day work trial to ensure that they feel physically able to take the job. One trainee got through the work trial but after a few weeks decided that the manual aspect of the job was too much for him, so resigned. We had 1 trainee who left due to sickness. This meant that 13% of all leavers 2005/2006 were early leavers (30%, 2004/2005).

In March 2006, due to budget cuts, Halton Borough Council (Halton BC) announced they were not renewing our Bulky Bob's contract. This meant they were also no longer willing to fund the four trainees recruited from Halton, insisting instead they were to be transferred over the borough's own ILM programme. We did this with effect from 1st April but were naturally disappointed when we heard that only two of them had decided to stay on Halton BC's programme the other two returned to the dole queue.

We continued to hold ILM information sessions for people who wanted more information about our training programme and were interested in applying. This year we held 4 information sessions to which 98 people attended. We had 331 applications and interviewed 99 people.

Achievement 2005 / 2006

- Continue to track leavers for up to two years 😊

We continued to track our leavers for 2 years and found that 80% of the respondents were still in employment or further education (73%, 2004 /2005) and sixty percent (53%, 2004/2005) felt that they were still using the training and qualifications they gained at FRC Group. One hundred percent of trainees reported increases in confidence, self esteem, motivation, team working skills and communication skills. Eighty percent of trainees said that their quality of life had changed for the better as a result of their time at FRC Group.

The destinations of the 16 leavers during 2005/2006 are as follows:

- 52% went into the logistics industry (26%, 2004 /2005)
- 12% went into construction (26%, 2004 /2005)
- 12% went into the service industry
- 6% went into catering
- 6% went into sales
- 6% went into security
- 6% went into warehousing (35%, 2004 / 2005)

Our leavers said:

" My job at FRC was the first job I had in the UK so I felt proud."

" I gained valuable qualifications and experience but most importantly gained the confidence to seek employment."

"Gaining an FLT Licence helped me to secure a full time job in a warehouse."

" My motivation and confidence improved – Definitely!"

Over the next year we will continue to track our leavers, but will only track them for 18 months and in this way hope to improve on a frustrating 23% response rate. We believe tracking up to 18 months and not two years as we have done in the past will still give a clear indication on the impact that employment at FRC Group has had on people's lives. Experience has taught us that it becomes increasingly more difficult beyond 18 months to solicit a response from ex-trainees.

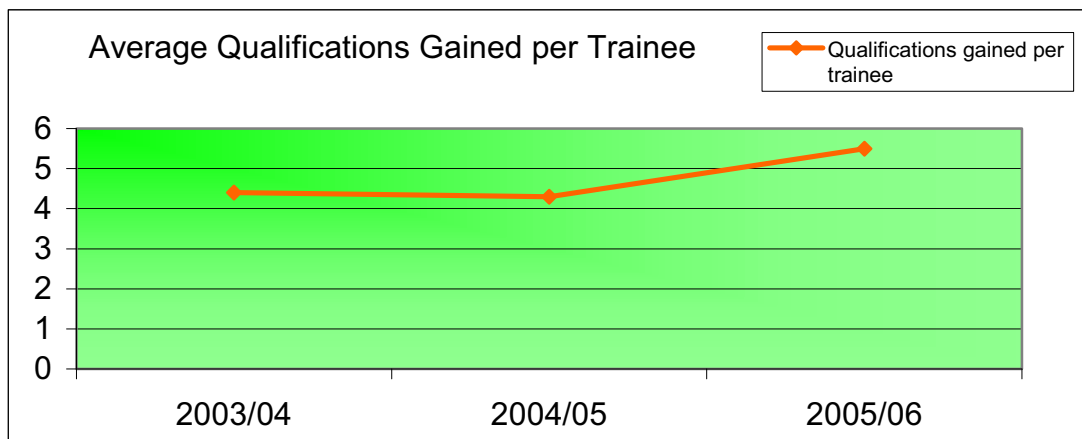
Qualifications gained

37 trainees gained a total of 207 qualifications between them.

As well as offering job related qualifications such as LGV Class II, ADR and Fork Lift Truck Licences, we also offer certificated qualifications in Manual Handling, First Aid and Health and Safety. It is important we offer as comprehensive a logistics programme as possible

including tachograph training and Hazard Perception.

In 2005/2006 our 37 trainees gained a total of 207 (186, 2004/2005) qualifications between them. This is an average of 5.5 qualifications each, which is an increase on the previous year. (4.3, 2004/2005 and 4.4, 2003/04)



The achievements and the contribution from employees on training contracts were acknowledged in our Annual Awards Ceremony in July 2005.

Trainees are still reviewed every 6 weeks to discuss their progress both on the job and with their training.

They said:

“ I’ve got my driving licence and I’ve bought a new car which my daughter loves. I’m floating a mile high! “

“ I can now provide for my son and it feels goods to have a bit of money in my pocket.”

“ Since I started here I feel healthier. The job is everything I expected and more!”

HMP - Walton Project

In 2005/2006 FRC Group worked closely with HMP Walton to run a pilot recruitment programme to recruit from offenders who were due to be released at the end of their sentence. We were the first ever company to work in this way with HMP Walton.

Almost 60% of people leaving prison are re-convicted and 36% of these return to prison within 2 years. The major cause of this is social exclusion arising from issues of; homelessness, unemployment, lack of skills, drug and alcohol addiction and physical health problems.

To tackle these issues FRC Group aimed to provide employment to offenders leaving prison and to use our links with housing associations to resettle them.

Our aim was to give participants the chance to rebuild their lives, invest in their own futures and allow them to contribute positively to the local community and economy.

Through our first rigorous recruitment drive we recruited only one person suitable to join our ILM programme. He commenced employment with us in April 2005. After working with him tirelessly and offering lots of support to overcome many problems, his employment with us lasted three months as we eventually came to a point where we had to terminate his contract. We could not support his many needs. Although he did not complete his 12-month contract he left us with two qualifications.

We came to a decision that we did not have the resources in house to continue recruiting and managing in this way. The project forced us to review which socially excluded groups we wished to concentrate on working with. In September 2005 we concluded that for the ensuing 18 months this was to be women and people from black and ethnic groups and those who have been unemployed for over 12 months.

This year we began work on determining the basic social return on investment (SROI) of our training programme. SROI gives an economic value to the benefits, relative to the costs, of achieving those benefits. We attempted to show the value of every £1 that we invested in our ILM training programme and the social value created by this investment. To do this we used the SROI tool developed by the New Economics Foundation.

We found that each year for each £1 we invested in our training programme through the provision of a salary for each trainee, their training and equipment costs -a social return of 70 pence is created in terms of reduced annual welfare costs to society. We are very pleased with these initial findings and plan to expand the scope of this work in 2006/07.

Targets for 2006/07

- Get 75% of all leavers into jobs or further education when they leave us
- Maintain our early leaver rate at 13% or below
- Track our leavers for 18 months
- Recruit 33% of trainees from the BME community

Rewarding our values

Our values are our beliefs in action. Throughout 2005/06 we continued to encourage a shared understanding and commitment to our four core values. We acknowledged and rewarded behaviour and commitment where employees were brave, creative, passionate and professional. Each month we celebrate employee of the month and run our annual awards ceremony, voting for our most passionate, brave, professional and creative members of our employees. We also celebrate employee of the year at the annual awards.

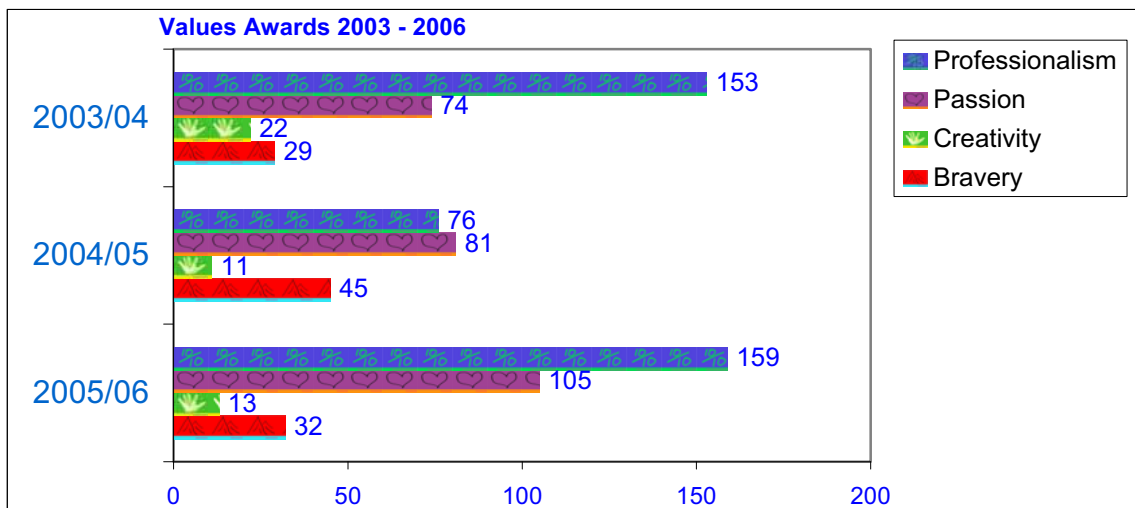
Achievement 2005/06

- Ensure that our values culture is embedded in the culture of our new satellite businesses 😊

Recruitment

We are committed to attracting and recruiting the right people to maintain the shared culture of the group. We continued to run Values Days during the recruitment process for certain jobs, and we still believe that this process helps us to see the beliefs and passions of applicants so that we can identify the people that will contribute positively to our culture. This is key for certain posts such as managers and team leaders who must not only agree with our values but also lead by example so that they can embed behaviours with their teams. This included the recruitment in March of the manager and his team for our forthcoming Bulky Bob's operation in Oldham.

Employees' values awards



We continued to acknowledge and reward behaviour that demonstrated the values. Team Leaders gave out 309 values awards over the year. Of these, 32 were for Bravery, 13 for Creativity, 105 for Passion and 159 for Professionalism. We continued to pin up the names of all those who have

received a values award on a dedicated notice board, which is updated monthly for all employees and visitors to see.

We gave out more values awards in total than ever before. But in the Leadership's Team's review of our values culture we concluded that the number of values for creativity and bravery needs addressing in 2006/07 to redress the balance and give us a more rounded culture. We plan to work on this with our team leaders in early summer 2006.

Achievement 2005/06

Complete a review of our values system by March 2006- 😊

Our 2005 review also led us to invent a new award, Employee of the Month. The Leadership team awards this to a member of employees who has shown all values behaviours in the last month. We started these awards in August 2005 and awarded nine members of employees this award – one month it was shared by two members of the same team.

Annual values awards

Once again this year we invited all our employees to nominate the colleagues that they thought had been the most brave, creative, passionate and professional. A panel of judges drawn from across the group considered every nomination and voted anonymously for the four winners. A fifth category of Employee of the Year was decided by selecting between those employees who had received at least one nomination for three or four different values.

Employee feedback

Feedback from employees this year about our values and values awards was once again very positive, supporting our belief that the values are genuinely understood and shared by our employees. Employees gave the following feedback (note: we did not ask employees about values in 2004/05):

82% (68%, 2003/04: 63%, 2002/03) of respondents agreed that, as a company, *“the people here are passionate and really believe in helping low-income families and unemployed people.”*

86% (68%, 2003/04: 66% 2002/03) of respondents agreed that *“as a company we are creative, we come up with good new ideas and find clever ways of dealing with problems.”*

82% (72%, 2003/04: 66%, 2002/03) of respondents agreed that, as a company, *“we are professional, the quality of what we do is consistently high and we are always trying to improve.”*

84% (59%, 2003/04: 58%, 2002/03) of respondents agreed that, as a company, *“we are brave, we face up to problems, we’re not afraid to take risks and admit when we are wrong.”*

These percentages are higher than ever but the real evidence that our values are shared and understood is the way our employees felt after receiving a values award.

88% (87%, 2003/04: 88%, 2002/03) of respondents said that they had received a values award in 2004/2005.

“I think values awards are a really important and integral aspect of the company and show others what we are all about”.

43% of these felt motivated by the award and a further 45% were pleased and motivated to have received it, giving an overall 88% of those who received an award finding it a positive experience. Only 3%

felt embarrassed at receiving an award.

They also said the following:

“Very important part of FRC culture”.

“I think values awards are a really important and integral aspect of the company and show others what we are all about”.

“Allows employees to be praised/recognised over and above their duties”.

We are now into our 5th year of using shared values to articulate our culture at FRC Group. We believe the facts and figures speak for themselves about the extent to which employees have embraced them. A challenge for us in 2006/07 is to ensure more balance and to develop more creativity and brave behaviour in our employees. Also as our satellite operation at Oldham is in its first year we must strive to ensure that its values culture develops to be as strong as that of our Liverpool base and we must ensure that this happens at any subsequent off site businesses.

Target 2006/07

- Increase number of creativity and bravery awards given out to employees by 100% on our 2005/06 performance.

Priority 2006/07

- Ensure we embed values culture in new satellite businesses.

Our Board of Trustees

In 2005/06 we had a board of seven non-executive directors. Five of the board are based in the northwest and they come from a variety of backgrounds. Five are from the private sector, two have a housing background, and another works in the Health Service. All are from senior management levels.

This year six board members were interviewed about their governance roles on the board of the FRC Group. There were mixed views about their involvement in strategic decision-making. All commented on the professionalism of information they received and all wanted more opportunities to discuss the strategic direction that the Group is going in. They also commented on the increasing scope of the FRC's work and this should be better reflected in the make up of the Board membership. Despite the disappointing financial performance of the Group in 2005/06. All were very positive about the future of the organisation in 2006/07. A paper collating their comments is to be presented and discussed at the FRC Group Board meeting in August 2006.

At 31st March 2006 the FRC Group board members were:

Graham Morris	Ex CEO of Rolls Royce. He is now an automotive consultant.
Jeff Vernon	Finance Director, Rathbones PLC Liverpool.
Kim Crowe	Director of Organisational Development, Mersey Care NHS Trust
Jim Donovan	Most recently Executive Director of Corporate Affairs, Women's Royal Voluntary Service and previously Director of Corporate Affairs Littlewoods PLC.
Gaynor Asquith	Director, ABRA Regeneration Consultancy, Manchester
Erik Bichard	CEO, National Centre for Business and Sustainability, Manchester
Chris Watson	Senior Fellow at the Centre for Urban and Regional Studies, University of Birmingham; and Chair of Mercian Housing Association, 1999 – 2005.

Our environmental performance

Our business activities at FRC Group have positive and negative impacts on the environment. We measure and report on our impacts because of our commitment to acting responsibly and transparently as a business and to proving this through our triple bottom line accounting.

This year has seen increases in the percentages of waste collected, reused and recycled through Bulky Bob's so that we have reused and recycled more materials than ever before. We have developed our business ideas and carried out pilot projects to expand the type and volumes of component materials, which we can reuse and recycle.

We met all of our reuse and recycling targets in our Bulky Bob's business. These have been reported on in detail on pages 21

The environmental impacts of our products

As a company we are committed to an agenda of environmental sustainability and we want to persuade our customers to think this way too. Each year we supply thousands of items of furniture, white goods and household utensils to the tenants of our RSL customers. We also sell pre-loved furniture to customers through Revive.

Achievement 2005/06

- Seek feedback from three major customers on the environmental credentials of the products that we supply ☹️

Many of our RSL customers do not see the environmental credentials of our products as a priority for them. However, we designed a process to talk to three major customers about their views on more environmentally friendly products but we did not have time to have these conversations. We plan to do this in 2006/07.

Achievement 2005/06

- Carry out cradle to grave impacts for the products that we sell - ☹️

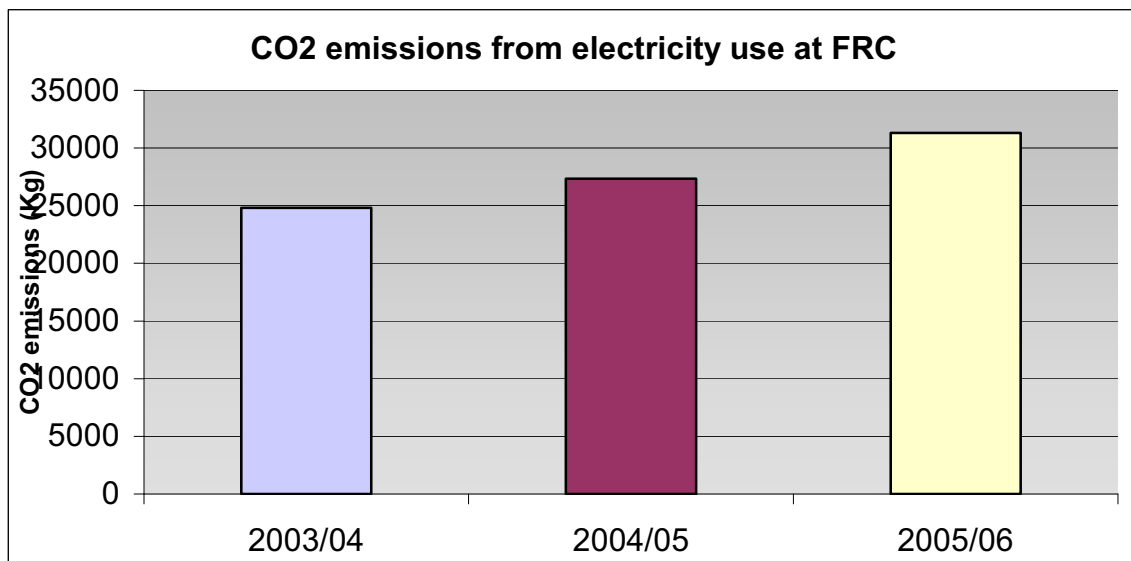
This year we approached a major out of town furniture retailer who has undertaken a considerable amount of work to research and sell more sustainably produced products. They were looking to open a retail outlet in north Liverpool and to start with were very interested in giving us help and advice. Unfortunately help and advice did not materialise. We do not have the in house expertise that this work requires and must seek external help or funding in 2006/7 to do this work.

Carbon dioxide emissions and energy use

FRC Group creates carbon dioxide emissions (CO₂) in two ways: through the use of electricity and gas to heat and light our buildings and by using petrol and diesel in our vehicles.

Achievement 2005/06

Reduce CO₂ emissions from electricity use at FRC Head Office by 5% - ☹️

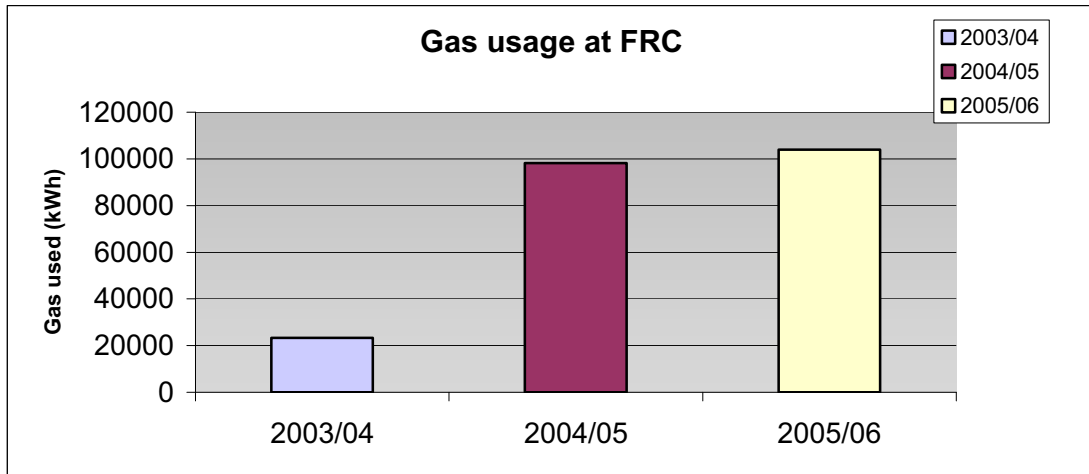


This year CO₂ emissions from the use of electricity at FRC rose by 13%. Electricity consumption was 72,793 kWh this year (63,555 kWh last year). This equated to 31,301kg of CO₂ compared with last year's figure of 27,329kg.

This increase can be explained simply by an increase in the use of electricity for lighting, IT equipment and air conditioning but mainly due to the installation of new server equipment in March 2005, which requires constant air conditioning and has contributed greatly to the increased use in electricity.

Achievement 2005/06

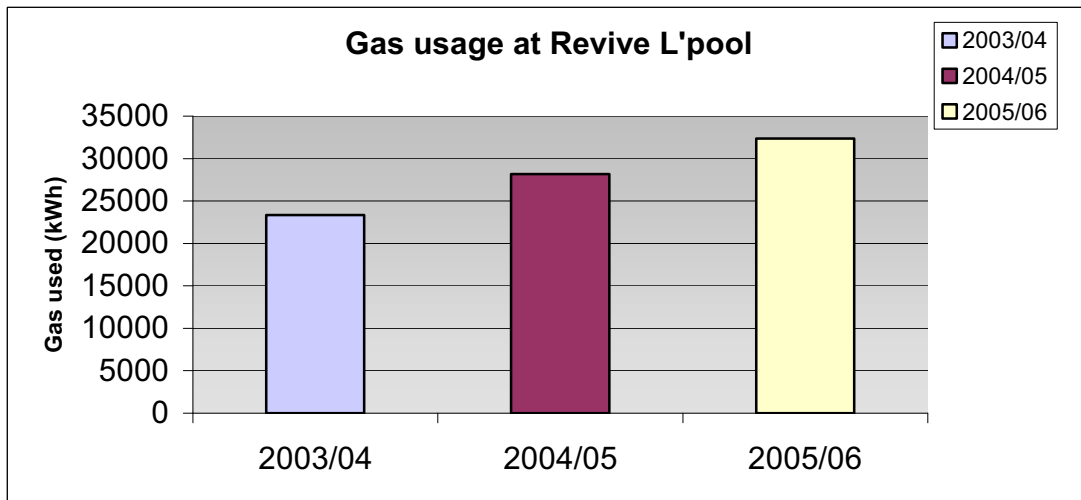
- Maintain use of gas at FRC, Brunswick Dock at 2004/05 levels - 😊



CO₂ emissions from gas usage also rose. At FRC this was by 5.9% on last year's emissions. Usage of gas rose from 98,200 kWh to 104,022 kWh. This can only be explained by greater use of heating throughout our building.

Achievement 2005/06

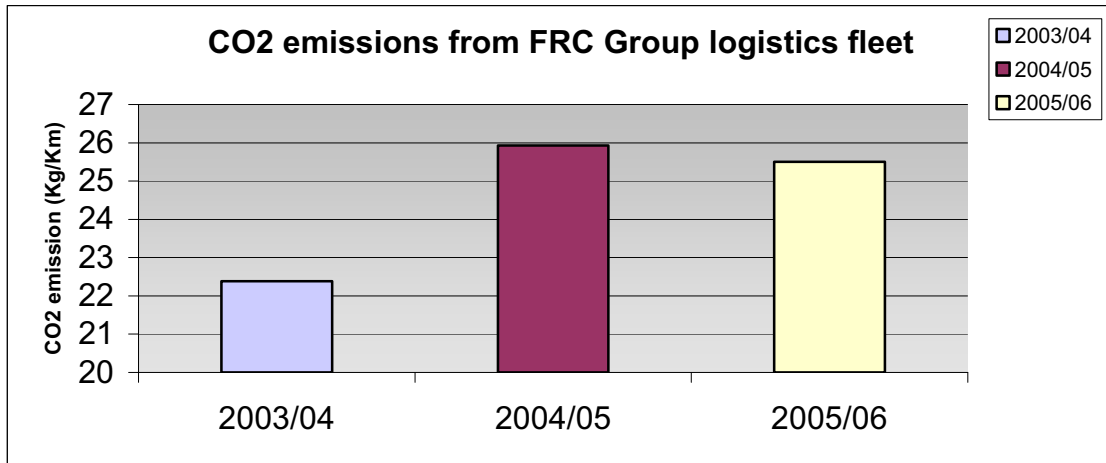
Reduce gas usage levels at Revive to 2003/04 levels - 😞



Gas usage at Revive Liverpool increased by 14.8 % on last year's figures. Rising from 28,173kWh in 2004/05 to 32,354 kWh. This too can only be explained by increased heating usage.

Achievement 2005/06

- Reduce CO₂ emissions from the FRC Group logistics fleet by 10% 😞



With regard to fuel usage and the resulting CO₂ emissions we achieved reductions of 2% in CO₂ (kg/km) across the fleet over the year. This was due to our Logistics Team Leader beginning to work more closely with our Customer Services Team to review delivery scheduling and increase efficiencies in route planning. Whilst this is a start we believe much more could be done to reduce fuel usage and resulting CO₂ emissions.

Bio diesel fuel is now available on a forecourt in Liverpool and this year we tried to switch to using it but was refused permission by our truck suppliers who cited technical mechanical arguments against us.

From July 2006 we will own and no longer rent five 7.5 tonne trucks and plan to start using bio diesel in them. Also our suppliers have now agreed that we can use bio diesel in the new trucks that they are leasing to the Oldham Bulky Bob's contract. We plan to switch fuels as soon as supplies are available in the Oldham area.

On Cat's Pyjamas trip to South Africa in March 2006 we generated 70 tonnes of carbon dioxide through the thousands of air miles delegates used flying. We have set aside £1000 to spend with a carbon-offset project and we have yet to decide which scheme to support.

A sustainable supply of energy

Achievement 2005/06

- Switch to renewable sources of electricity for the FRC Group - ☹️

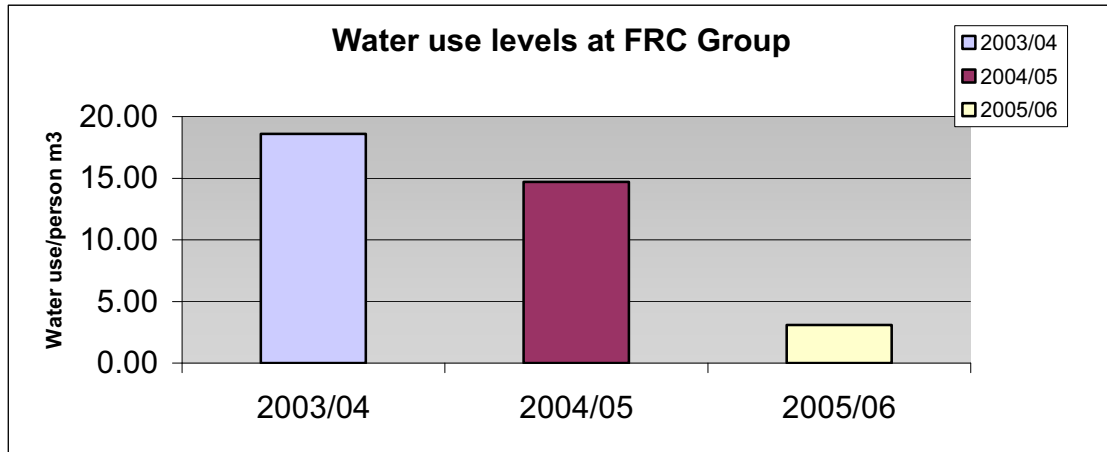
This year we investigated this option during the year and were committed to switching our suppliers to a totally renewable source but disappointingly given rising energy costs and the Group's need for financial prudence. It was not an option we could pursue. We are hopeful that once FRC Group's finances improve that this will be – priority is to investigate more ways which FRC can reduce energy usage including seeking capital investments in the form of grants for this work.

Water

Our water usage is mostly from washing our fleet of wagons and in employee's toilets.

Achievement 2005/06


- Maintain water use levels at 2004/05 levels - 😊



Our water use fell by 78.9% from 14.7m³/per person (2004/05) to 3.1m³/perperson. We believe this dramatic increase can partly be explained by the fact that we stopped washing the loose covers on preloved suites sent to Revive. We stopped this practice in early 2005/06 and as a result have reduced our water consumption. We also had a new water meter installed- we do find this saving to be partly inexplicable.


Employee training

Achievement 2005/06

- Run at least one environmental awareness event for all employees - 

Only thirty three percent of employees went through environmental training throughout the year, we know this is not best practice and it is imperative all employees have a refresher course in 2006/07 to address this we have decided to expand the remit of our Health and Safety committee to look at environmental issues in the company as another way of embedding our environmental performance measures and seeking buy in from employees.

Achievement

Run at least one driving efficiency course for all logistics employees - 

We investigated bringing in external training on efficient driving techniques for all of our logistics employees, but this proved to be prohibitively expensive we are committed to try and find cheaper ways to address this in 2006/07.

Our environmental performance in 2005/06 has been a mixed one. Our biggest positive impacts have been the continuing increases in the reuse and recycling of items collected by Bulky Bob's. Negatively we have not made the savings across the Group we had hoped for on our CO₂ emissions except slight savings in fuel usage. We also failed to raise all of our employee's awareness levels about these matters.

Clearly our environmental performance is one we need to address in 2006/07 – key areas to target are the use of fuel in our vehicles, the heating and lighting of our building, the environmental credentials of our products and the training of our staff. Our disappointing performance on these matters has made us more determined to improve in 2006/07.

Targets 2006/2007 –

- Reduce CO₂ emissions from electricity and gas use at FRC Group by 5% to 31,145kg
- Reduce gas levels at revive by 10% on 2005/06 levels.
- Reduce gas usage at FRC Brunswick Dock by 5% on 2005/06 levels
- Reduce the CO₂ emissions from our logistics fleet on Merseyside by 5% to 24.23kg/km

- Introduce the use of Bio diesel fuel in our fleet as soon as local fuel supplies are available
- Off set the CO₂ emissions generated through the Cat's Pyjamas miles through a carbon off set programme.
- Maintain water usage rated at FRC head office at 2005/06 levels – 3.1m³
- Run at least one environmental awareness event for all employees in the Group
- Run at least one driver efficiency course for all logistics staff

Priorities

- Talk to 3 major customers about the environmental credentials of the products that we supply.
- Commit to identify and prioritise the environmental impacts of the products we offer on our Furniture Resource Centre service
- Seek advice on the cradle to grave impacts of our products
- Commission DTI Fuel Champ advice
- Bench mark our logistics performance against other companies in the waste and logistics industry
- Introduce an incentivised fuel efficiency programme for logistics staff

The Future – 2006/07

We are very positive about 2006/07 and the Group's potential performance on our social, environmental and financial agendas.

After two years of disappointing financial performance we are confident that 2006/07 will be different. We spent the last year consolidating our approach to our Bulky Bob's and Furniture Resource Centre businesses and decided to spend less time on the Cat's Pyjamas as it became increasingly less part of our core business activity. The investment in our two-business development manager's posts will mean that we are increasingly focused on the performance of these two core activities.

We are particularly positive about the opportunities in reuse and recycling that the Government's expanding waste management agendas will bring us. We know Bulky Bob's is a leader in this sector delivering concurrent environmental, social and economic returns to the local authorities we work for. Our plan for next year is to capitalise on this as much as we can to win more business. We also know that Bulky Bob's is likely to become our main business activity over and above the Furniture Resource Centre business

However, we remain committed to our Furniture Resource Centre business and to working closely with our customers to prove the positive social impacts on the lives of tenants to whom we provide furniture. We also plan to get feedback from major customers on environmental credentials of the products that we supply them.

We continue to offer training opportunities to those from socially excluded backgrounds and will continue to concentrate on recruiting from the BME communities of Liverpool and Oldham and on getting more women in to logistics through our training.

We want to improve the scope of proving our impacts by using the NEF's SROI tool throughout our business – with this information we can provide an additional measurement of the impact of our activities.

Our employees are key to our business success and we will continue to use our tried and tested values culture and reward system to celebrate preferred behaviours. This will be particularly pertinent, as we will launch our first satellite operation in Oldham where we are determined to embed our values culture right from the start.

All of our innovations require resources and we are committed to maximising funding opportunities for research and development of our ideas.

Our Triple Bottom Line accounts must also be changed to reflect the changing scope of our activities and show full the impact of our activities.

Facilitating worthwhile feedback from the people who matter to us – our stakeholders – remains high on our agenda for 2006/07. Not only do we see

this as good business sense but also as something that will improve the materiality of our reporting – we will work with stakeholders to identify key issues and report our performance on these issues back to them.

The environmental impact of our business must remain integral to what we do. Key areas for 2006/07 are minimising CO₂ from our activities, especially our logistics fleet and raising the awareness about the importance of these issues with our employees.

All in all an exciting year ahead with as always plenty to challenge us – as ever we're really looking forward to the challenge and of course proving the impacts of all that we do!

FRC Group Leadership Team

June 2006

AUDITORS' ASSURANCE STATEMENT

justassurance¹ is a social enterprise dedicated to working with stakeholders, or 'people who matter' in FRC Group's (FRC's) language, to provide assurance of social and sustainability reports. **justassurance** was paid £4,125 to provide assurance in connection with the FRC Sustainability Report.

justassurance has sought to act impartially with respect to FRC's various stakeholders. Over the past year, **justassurance** has also provided a few days of advice and feedback on FRC's approach to reporting and accounting. Statements of independence, impartiality and conflict of interest, together with the competencies of the auditors, are detailed at www.justassurance.org. The Audit Panel was convened in June 2006 to bring a further, stakeholder-oriented perspective to bear on the report.

The directors of FRC are responsible for the content of the FRC Sustainability Report.

justassurance has used the AA1000 Assurance Standard². This requires us to review the completeness, materiality and responsiveness of the report. To meet AA1000 we:

- Identified claims in the Report
- Reviewed the consistency between the Report claims and the underlying records on a sample basis
- Traced certain key claims through the accounts and back to source data
- Interviewed members of the Leadership Team
- Discussed the report, accounts and our statement with FRC and with the Audit Panel.

Opinion

*On the basis of the work we have done, we believe this report adequately represents FRC's economic, social and environmental impacts on its stakeholders and its responses to their concerns. **Our review against the AA1000 Assurance Standard is set out below.***

Completeness

FRC has a reasonably mature accounting process in place and has maintained its triple bottom line accounting. It has again proved difficult to allocate the resources needed to continue the same thoroughness and level of stakeholder engagement as has been achieved in some years; this has particularly affected environmental systems. Nevertheless we believe that its current accounting systems have captured the major stakeholder and environmental issues.

¹ www.justassurance.org/

² www.accountability.org.uk/

Consideration should also be given to including staff exit interview material in the report.

While FRC has reported on some elements of its economic impact, and this is in advance of what most organisations typically report, there is much scope for extending the reach of the economic impact methodologies it employs.

Materiality

We believe that FRC's main material issues have been described.

FRC undertakes a wide range of innovative projects which are implemented on a relatively small scale, such as the Field Lane Hostel. Yet their importance, both as models for other organisations to follow, and particularly for their positive impact on the lives of stakeholders, is on the whole under-reported.

Responsiveness

We believe that the targets, which FRC has set itself, are appropriate.

FRC measures its impact on its stakeholders in a variety of ways, including surveys and innovative techniques such as social return on investment. For some its major stakeholders that are surveyed, however, it would be appropriate to explore whether new techniques or new approaches to engagement would yield more information.

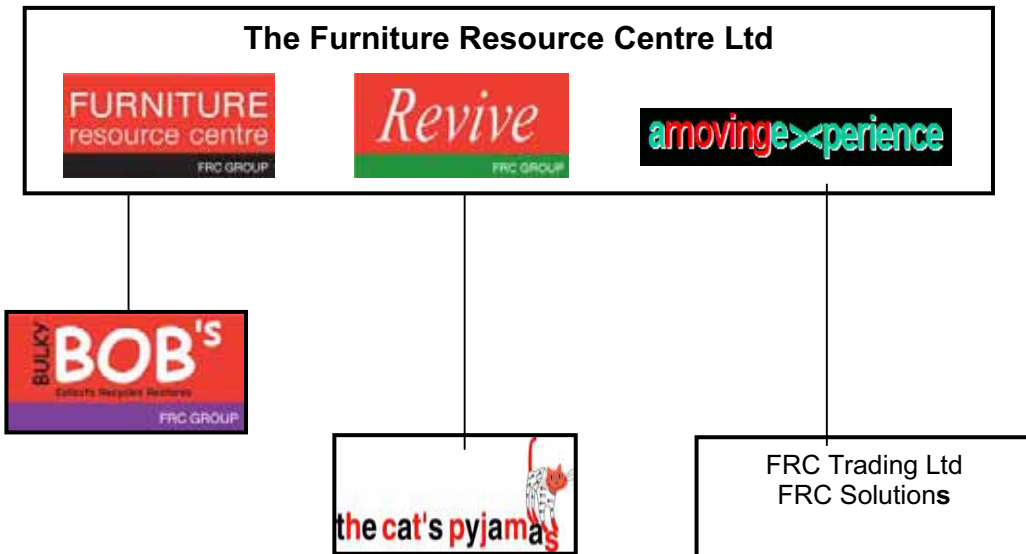


Adrian Henriques, Auditor, **just**assurance
July 2006

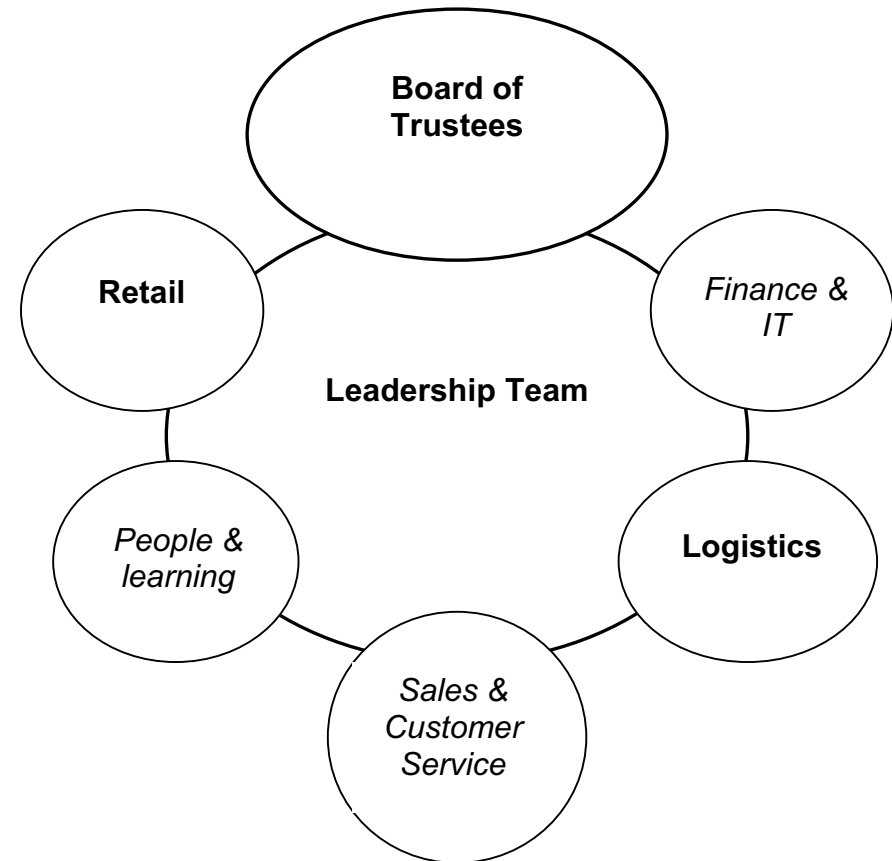
Appendix 1

The Furniture Resource Centre Ltd is a registered charity and company limited by guarantee, which has created and wholly owns 3 trading subsidiaries and half owns the Cat's Pyjamas.

Company Structure and Brands
May 2006



Organisational Structure May 2006



Appendix 2

Our stakeholders and how we engaged them 2005/06

Stakeholder	No	Response number and % rate	Complete
Staff	72	62 issued 51 back 82% response rate	May 5 th , 2006
Trainees	20	All asked via 6 weekly reviews	May 2006 On going
Ex trainees (2 year tracking)	76	76 postal questionnaires 20 26%	3 times a year
Board	7	8 telephone survey	May 19 th , 2006
RSL customers	Total number is confidential	53 issued 21 returned 40% response	28 th February 2006
RSL tenants	2,974	81 tenants at Derby Homes 37 returned 46% response rate	Surveyed April 2006
Revive Liverpool customers	2938	50 asked – face to face interviews on the shop floor	Completed March 2006
Revive Halton customers	To be confirmed	Not asked	March 2006
Bulky Bob's Lpool City Householder	Confidential	100 householders - telephone survey	Completed December 2005

BB Halton	Confidential	50 asked – telephone survey	Complete March 2006
BB Halton MBC feedback	1	Face to face interview	Got x1
BB Liverpool CC feedback	1	Face to face interview and email questionnaire	Got x4
Amovingexperien ce	13	7 called for telephone survey 5 responses	May 2006

Financial
Social
Environmental

BM = Benchmark
GP = Good Practice

FRC GROUP TRIPLE BOTTOM LINE ACCOUNTS 2005/06

	Apr-05	May-05	Jun-05	Jul-05	Aug-05	Sep-05	Oct-05	Nov-05	Dec-05	Jan-06	Feb-06	Mar-06	12-month total/avg
PROFIT/(LOSS)													
Furniture Resource Centre	(38,147)	(9,530)	25,012	(21,744)	(34,329)	(38,989)	(24,369)	(35,103)	(45,748)	(38,850)	(28,122)	(35,291)	(325,210)
Bulky Bob's	5,414	6,495	8,444	16,265	16,199	15,554	9,160	13,428	10,789	1,802	15,394	5,971	124,915
FRC Scoopers	333	333	242	428	334	335	814	333	1,333	335	335	305	5,460
FRC Trading	(1,140)	(2,700)	(1,142)	1,742	(1,180)	(1,782)	828	(1,317)	1,601	(1,073)	874	10,762	5,473
Cat's Pyjamas @ 50%	(218)	57	(199)	1,108	14	(640)	1,612	(458)	(468)	425	(263)	1,636	2,606
FRC Group total	(33,758)	(5,345)	32,357	(2,201)	(18,962)	(25,522)	(11,955)	(23,117)	(32,493)	(37,361)	(11,782)	(16,617)	(186,756)

CUMULATIVE PROFIT/(LOSS)

Furniture Resource Centre	(38,147)	(47,677)	(22,665)	(44,409)	(78,738)	(117,727)	(142,096)	(177,199)	(222,947)	(261,797)	(289,919)	(325,210)
Bulky Bob's	5,414	11,909	20,353	36,618	52,817	68,371	77,531	90,959	101,748	103,550	118,944	124,915
FRC Scoopers	333	666	908	1,336	1,670	2,005	2,819	3,152	4,485	4,820	5,155	5,460
FRC Trading	(1,140)	(3,840)	(4,982)	(3,240)	(4,420)	(6,202)	(5,374)	(6,691)	(5,090)	(6,163)	(5,289)	5,473
Cat's Pyjamas @ 50%	(218)	(161)	(360)	748	762	122	1,734	1,276	808	1,259	993	2,606
FRC Group total	(33,758)	(39,103)	(6,746)	(8,947)	(27,909)	(53,431)	(65,386)	(88,503)	(120,996)	(158,331)	(170,116)	(186,756)

FURNITURE RESOURCE CENTRE

Sales	Actual	120,303	245,384	253,569	174,207	149,723	156,139	175,226	104,747	122,547	138,234	176,104	221,344	2,037,527
	Budget	224,410	224,410	241,546	243,671	230,785	232,910	235,035	237,160	191,286	193,411	243,536	245,661	2,743,821
	Reforecast	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0
Homes furnished		187	294	315	336	234	244	244	200	186	166	271	297	2,974
Moving Ex moves		5	3	9	16	2	24	35	12	7	4	3	7	127
Chaperoned		0	0	1	1	0	0	4	0	0	0	0	0	0
Room Service Deliveries		8	0	0	0	0	0	0	0	0	0	0	0	8
Room Store Deliveries		8	4	4	4	2	0	0	0	0	0	0	0	22
Fuel efficiency (km/l) (Target 5.3)		5.5	4.6	5.3	5.7	4.7	5.2	5.3	4.8	4.3	5.0	6.2	4.9	5.1
Km travelled per £ sales		0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.2	0.1	0.1	0.1	0.1	0.1
CO₂ Transport (kg/km)		0.49	0.58	0.50	0.47	0.57	0.52	0.50	0.56	0.62	0.53	0.43	0.54	6.31

N.B. FRC vehicles are used for amovingexperience, Greenworks, Room Service and Room Store deliveries plus other occasional work, as well as FRC deliveries

CAT'S PYJAMAS

Number of Customers	0	0	0	1	0	0	0	0	0	1	0	0	1	3
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FRC SOLUTIONS

Number of days' consultancy	0	0	0	0	0	0	0	0	0	13	0	0	0	13
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REVIVE LIVERPOOL

Sales	Actual	14,434	12,688	13,389	13,099	14,502	15,562	13,932	15,976	9,894	11,235	9,439	11,160	155,310
	Budget	13,004	13,004	13,004	13,004	13,004	13,004	13,004	13,004	9,848	9,803	13,004	13,004	91,028
	Reforecast	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0
Number of Customers		305	263	237	240	239	294	279	282	175	223	183	218	2938
% on low income (Target 84%)		81%	81%	90%	81%	86%	82%	82%	84%	85%	88%	87%	90%	85%
Of which on benefits		76%	58%	86%	78%	63%	58%	79%	81%	82%	86%	82%	71%	75%
Of which via referral		5%	4%	4%	3%	5%	2%	3%	3%	3%	2%	5%	5%	4%
CO₂ Energy (kg/m²)		1.62	1.96	2.22	1.76	1.75	2.13	1.69	1.63	1.73	2.03	1.59	2.41	22.52
Fuel efficiency (km/l) (Target 8.1)	#	6.9	6.6	5.6	7.6	5.8	8.1	8.5	6.7	7.0	6.1	6.1	6.1	6.8
CO₂ Transport (kg/km)		0.39	0.41	0.48	0.35	0.46	0.33	0.32	0.40	0.39	0.44	0.44	0.44	4.85

REVIVE HALTON

Sales	Actual	2,419	2,080	1,717	2,925	3,189	2,328	2,522	2,166	1,471	2,452	2,297	2,460	14,658
	Budget	2,007	2,007	2,007	2,007	2,007	2,007	2,007	2,007	2,007	2,007	2,007	2,007	14,049
	Reforecast	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0
Number of Customers		45	43	40	53	56	49	48	44	29	44	38	48	537
% on low income (Target 84%)		95%	91%	88%	83%	89%	86%	95%	82%	92%	95%	95%	96%	91%
Of which on benefits		75%	77%	70%	74%	68%	69%	85%	73%	82%	84%	92%	67%	76%
Of which via referral		20%	9%	18%	9%	13%	8%	10%	9%	10%	11%	3%	19%	12%
CO₂ Energy (kg/m²)		7.66	6.10	6.11	4.06	4.50	6.26	6.55	5.50	6.14	5.82	4.61	5.89	69.20

N.B. Revive Halton does not have its own dedicated delivery vehicle

BULKY BOB'S LIVERPOOL

Profit/(loss)	Actual	1,195	1,887	-533	5,330	6,751	6,829	1,246	9,549	5,923	7,279	4,592	960	51,008
	Budget	3,249	3,249	3,138	1,471	2,730	2,723	2,314	1,997	1,559	1,948	2,196	1,957	28,531
	Reforecast	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0
Completed collections		3,591	3,292	4,204	3,795	4,215	3,498	3,397	4,164	1,871	3,187	3,419	4,204	42,837
Council savings in Landfill Tax (£)		3,905	3,590	4,411	4,116	3,797	4,565	3,531	4,164	2,711	4,020	3,568	4,247	46,624
Items reused/recycled		2,456	2,262	2,688	2,592	2,392	2,762	2,190	2,575	1,661	2,566	2,167	2,625	28,936
% reused/recycled (Target 35%)		36.1%	39.6%	36.3%	39.2%	32.8%	42.3%	35.8%	36.3%	34.3%	59.6%	38.1%	36.1%	38.9%
Scrap metal recycled (kg)		0	0	0	0	0	0	0	2,300	0	4,420	4,740	1,980	13,440
Pre-loved items to Revive		223	179	124	379	339	340	296	356	219	413	275	345	3,488
White goods to Create		1,801	1,680	2,018	1,835	1,715	2,082	1,598	1,864	1,223	1,740	1,617	1,932	21,105

Fuel efficiency (km/l) (Target 4.8)	4.7	4.9	4.8	4.8	4.2	5.5	5.0	4.3	5.1	3.8	5.0	4.4	4.7
CO ₂ Transport (kg/km) (Target 0.56)	0.58	0.55	0.56	0.56	0.64	0.48	0.53	0.62	0.52	0.71	0.54	0.61	6.90

BULKY BOB'S HALTON

Profit/(loss)	Actual	4,218	4,609	4,683	8,527	7,373	8,436	6,419	9,135	8,058	6,419	8,555	7,162	83,594
	Budget	5,422	5,422	5,381	4,929	5,250	5,248	4,938	4,818	4,665	4,810	4,903	4,814	60,600
	Reforecast	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	n/a	0
Completed collections		1,056	810	672	625	661	549	510	728	416	443	508	598	7,576
Council savings in Landfill Tax		827	669	567	320	709	561	486	544	386	480	446	586	6,580
Items reused/recycled		513	374	327	179	421	326	284	325	236	291	320	352	3,948
% reused/recycled (Target 24%)		25.2%	23.6%	23.2%	16.1%	27.0%	26.3%	26.2%	21.9%	23.9%	29.9%	23.9%	25.8%	24.4%
Pre-loved items to Revive		41	42	33	22	69	44	55	42	50	68	41	59	566
White goods to Create		369	305	261	149	308	263	206	251	165	195	262	268	3,002
Fuel efficiency (km/l) (Target 4.8)		4.8	6.0	3.8	3.9	4.2	3.7	5.0	4.1	4.1	4.0	5.7	3.9	4.4
CO ₂ Transport (kg/km) (Target 0.56)		0.56	0.45	0.70	0.69	0.63	0.72	0.54	0.66	0.66	0.68	0.47	0.68	7.44

FRC GROUP

People and Culture

Total no of staff on payroll *		74	73	74	68	68	69	66	70	72	71	71	70	71
<i>Beginning of the month</i>		76	74	73	74	68	68	69	66	70	72	71	71	71
<i>End of the month</i>		74	73	74	68	68	69	66	70	72	71	71	70	71
No full time staff over month*		48	47	46	43	44	43	41	61	63	64	64	64	52
Men		36	36	36	34	34	34	32	51	53	54	54	54	42
Women		12	11	10	9	10	9	9	10	10	10	10	10	10
No part time staff over month*		8	8	8	9	9	9	8	9	9	7	7	7	8
Men		2	2	2	2	2	2	2	3	3	1	1	1	2
Women		6	6	6	7	7	7	6	6	6	6	6	6	6
No of Work Placements														
No short term contract / agency staff		1	1	2	2	2	3	3	3	2	1	3	3	2
Total No of leavers		1	4	3	3	0	3	0	1	1	0	0	1	15
<i>Beginning of the month</i>														
<i>End of the month</i>														
Total No of new starters		0	0	2	3	1	0	2	2	1	0	0	0	11
Staff Turnover % **	BM 17.8%	1%	5%	4%	4%	0%	4%	0%	1%	1%	0%	0%	1%	21%
% permanent staff previously trainees		31	31	34	31	31	31	31	31	31	31	31	31	31

Absence / employee (days) (BM 0.75)	0.50	0.67	0.58	0.43	0.37	0.16	0.59	0.84	0.40	0.55	0.67	0.45	1.72
Accidents reported	5	5	3	6	6	0	2	3	1	6	3	1	41
Lost Time Accident Rate (BM 0.34)	0	0	0	0.32	0.07	0	0.34	0.48	0.13	0.04	0.14	0	0.07
Accidents RIDDOR reportable	0	1	0	3	2	0	1	1	0	1	1	0	10
Accidents investigated	0	0	0	1	0	0	1	1	0	1	1	0	5
Number of staff purchases	6	4	8	4	3	5	9	9	2	12	6	8	76
University students	5	8	13	12	38	46	38	0	19	7	30	19	235
No of University Courses	2	2	2	1	5	3	3	0	3	2	6	30	59
Hours spent on external training	9	21	32	71	33	121.5	128	10	92	92	321	104	1,035
Hours spent on internal training	0	0	0	0	0	17.5	8	16.5	18	0	6	6	72
Total values awards given out:	30	12	24	28	13	23	18	33	32	27	34	31	130
Bravery	2	0	4	9	0	0	3	3	3	9	2	3	38
Creativity	2	1	1	0	0	0	2	3	0	5	2	0	16
Passion	3	3	7	9	5	7	7	12	14	4	18	12	101
Professionalism	22	8	12	10	8	16	6	15	15	9	12	16	149
TL Nominations													
Staff Nominations													

ILM

Trainees on payroll	18	18	18	18	18	18	17	18	18	18	16	13	17	
Women	0	0	0	0	0	0	1	1	1	1	1	1	1	
Trainees recruited	2	0	5	0	3	0	4	1	0	0	4	1	20	
% from BME groups	Target 33%	28%	28%	17%	17%	17%	17%	17%	17%	17%	17*%	19%	15%	19%
Qualifications achieved	9	8	20	6	12	13	20	16	7	7	24	6	148	
Leavers	YTD:	0	0	4	3	0	0	5	0	0	0	6	4	22
Leavers into jobs	73%	0	0	3	2	0	0	3	0	0	0	4	4	16

Housekeeping

CO₂ Energy (GP 21 kg/m² per annum)	1.2	1.2	1.3	1.2	1.2	1.5	1.3	1.3	1.2	1.5	1.3	1.6	15.6	
Total Group CO₂ emissions (Kg)	#	21,593	22,130	24,283	19,458	22,376	18,079	17,911	23,336	15,343	18,563	17,612	27,463	248,168
Waste landfilled (kg)	168	168	168	168	168	168	168	168	168	168	168	168	168	2,016
Waste recycled (kg)	0	0	1,000	0	900	0	1,000	850	0	0	1,000	0	4,750	
Paper use per person (reams)	0.6	0.5	0.3	0.3	0.2	0.5	0.3	0.3	0.3	0.3	0.6	0.6	4.6	
Water use / person (m³) (BM 1.1m³)	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.3	0.2	0.1	0.1	3.1

CASH BALANCES

Furniture Resource Centre	522,349	291,630	240,924	94,551	138,814	266,533	215,344	228,135	354,934	309,144	304,067	299,526
Bulky Bob's	213,747	262,738	254,404	204,065	223,556	293,452	283,610	307,794	186,566	166,208	163,240	184,024
FRC Scoopers	405	3,104	3,098	3,227	4,175	8,586	2,084	8,608	8,593	1,712	4,239	16,211
FRC Trading	-332	1,185	1,476	3,112	4,571	3,787	3,790	322	2,771	6,528	1,402	1,054
FRC Group total	736,169	558,657	499,902	304,955	371,116	572,358	504,828	544,859	552,864	483,592	472,948	500,815

DEBTORS

Furniture Resource Centre	247,282	478,387	578,029	598,068	502,505	370,065	410,473	323,436	262,608	273,150	323,036	384,981
Bulky Bob's	83,689	108,744	67,180	99,955	123,803	48,848	50,035	50,518	47,274	54,357	50,118	62,930
FRC Scoopers	5,566	5,417	8,125	3,823	6,532	3,823	6,532	2,708	6,592	9,300	9,300	0
FRC Trading	12,295	10,876	13,083	15,874	11,570	6,986	11,209	11,594	12,715	7,157	6,239	2,821
FRC Group total	348,832	603,424	666,417	717,720	644,410	429,722	478,249	388,256	329,189	343,964	388,693	450,732

CREDITORS

Furniture Resource Centre	210,928	221,841	282,300	186,504	133,165	152,999	172,478	127,940	119,997	138,445	170,851	281,321
Bulky Bob's	474	3,117	10,581	6,798	856	856	1,842	782	1,716	9,963	2,245	3,796
FRC Scoopers	0	0	7,990	0	0	6,875	0	0	6,875	0	0	6,875
FRC Trading	206	206	0	5,716	5,716	0	0	0	0	0	0	0
FRC Group total	211,608	225,164	300,871	199,018	139,737	160,730	174,320	128,722	128,588	148,408	173,096	291,992

% of spend with Social Enterprises

NET ASSETS

Furniture Resource Centre	1,399,355	1,384,606	1,404,404	1,377,444	1,337,896	1,272,072	1,242,488	1,202,167	1,282,540	1,238,470	1,205,132	1,166,779
Bulky Bob's	209,781	216,279	224,722	240,988	257,187	224,296	233,456	246,885	127,617	129,423	144,817	150,789
FRC Scoopers	(169,149)	(168,817)	(168,574)	(168,146)	(167,810)	11,859	12,674	13,008	14,335	14,670	15,006	15,311
FRC Trading	1,471	(1,230)	(2,371)	(632)	(1,811)	(4,592)	(3,766)	(5,083)	(4,757)	(5,829)	(4,957)	5,806
FRC Group total	1,441,458	1,430,838	1,458,181	1,449,654	1,425,462	1,503,635	1,484,852	1,456,977	1,419,735	1,376,734	1,359,998	1,338,685

EXPLANATION OF BENCHMARKS, GOOD PRACTICE AND TARGETS

Days lost to sickness benchmark based on data from the Chartered Institute of Personnel and Development - average 9 days of sickness taken per employee per annum.

Staff turnover is calculated in accordance with the CIPD and is the number of leavers x 100 divided by the average number of staff in the same period. The benchmark is for the transport and storage industry.

Lost Time Accident Rate is the standard international benchmark for reportable injuries, and measures the number of reportable accidents per 100,000 working hours.

Good practice CO₂ emissions per square metre are taken from DEFRA guidance for a standard air conditioned office.

Water use per person benchmark taken from www.waterpolicyteam.org

All targets shown are taken from the FRC Group social and environmental accounts for 2005/06.

*The nos of full and part time staff are the total employed during the month, whereas the numbers of staff and trainees on the payroll are taken as a snapshot in time. The two sets of figures will therefore not always give the same total.

** Staff turnover is calculated by dividing the total number of leavers during the last 12 month period by the average number of staff during the same period. This excludes trainees but includes all other staff members.



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