

THE MERTHYR AND RHONDDA CYNON TAFF GROUNDWORK TRUST
(A company limited by guarantee)

REPORT AND FINANCIAL STATEMENTS

for the year ended 31 March 2003



Registered Number 2087537
Charity Registration Number 518632

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COMPANY MEMBERS

Merthyr Tydfil County Borough Council
Rhondda Cynon Taff County Borough Council
Groundwork UK
Countryside Council for Wales

PRESIDENT

Sir Richard Lloyd Jones KCB

CHAIRMAN

Cllr P Saunders MBE

EXECUTIVE DIRECTOR

Margaret Hannigan Popp

COMPANY SECRETARY

Sandra Cathcart Greig

REGISTERED OFFICE

Fedw Hir
Llwydcoed
Aberdare
CF44 0DX

REGISTERED NUMBER

2087537, Wales

AUDITORS

PricewaterhouseCoopers LLP
One Kingsway
Cardiff
CF10 3PW

BANKERS

National Westminster Bank Plc
High Street
Merthyr Tydfil
CF47 8BN

Directors' Report for the year ended 31st March 2003

REPORT OF THE DIRECTORS

The directors submit their annual report and the audited financial statements for the year ended 31 March 2003. The directors who served during the year were:-

DIRECTORS

Sir Richard Lloyd Jones	-	President
Cllr P Saunders (Chairman)	-	Merthyr Tydfil Borough Council
P Walters (Vice Chairman)	-	Graeme John & Partners
R Baldwin	-	Long Term Volunteer
B Evans	-	Consultant
Mr J Richards	-	Sekisui (UK) Ltd
Mr C Davies	-	Group 4 Securitas
Cllr Glenys Evans	-	Merthyr Tydfil County Borough Council
Cllr Lynda Williams	-	Merthyr Tydfil County Borough Council
Cllr John Daniel	-	Rhondda Cynon Taff County Borough Council
Cllr Vyvyan Williams	-	Rhondda Cynon Taff County Borough Council
Cllr Syd Morgan	-	Rhondda Cynon Taff County Borough Council (Resigned 14 June 2002)
Ms Janet Scicluna	-	Venture Wales
Ms Wendy Marshall	-	Golley Slater (Resigned 12 July 2002)
Ms Ruth Hopkins	-	Interlink
Miss Catherine Harford	-	Long Term Volunteer (Appointed 15 July 2002)
Mr William Lucas	-	Retired (Appointed 8 October 2002)

PRINCIPAL ACTIVITIES

The Trust is a Registered Charity and a Company Limited by Guarantee and is governed by its Memorandum and Articles of Association.

The Groundwork vision is for a society made up of sustainable communities which are vibrant, healthy and safe, which respect the local and global environment and where individuals and enterprise prosper. Groundwork adopts an holistic approach which embraces people, places and prosperity.

The Trust is part of a national federation of independent Trusts, which has grown to over 40, co-ordinated by the Groundwork UK and the Trust continues to play a leading role in the expansion of Groundwork in Wales and the UK. For its part it is benefiting from being within what is now a national network (with overseas links) through the abilities to fundraise, to communicate the role of Groundwork, to train staff and to develop operational systems.

The Trust recognises its development into a successful partnership role in major Community Regeneration Strategies. This change is demonstrated through the Community Regeneration and Community Environments Programmes which incorporated the refocused Countryside and Access programme as a community led programme seeking to develop community enterprise opportunities and now titled Access Countryside and Tourism.

- | | |
|------------------------------------|--|
| 1. Community Regeneration | To work with and empower communities through effective partnerships, raising resources, prioritising local need to achieve a strategic approach to the achievement of agreed objectives for local regeneration. |
| 2. Community Environments | To foster and develop proactive partnerships for conserving, protecting and improving the natural and built environment through sustainable community networks and local access projects for local people. |
| 3. Environment & Business Services | Using the principles of Sustainable Development to provide a professional service for creating new landscapes through an ecologically informed approach.
To enhance the efficiency and competitiveness of SME's through environmental improvements, advice and support and to engage them in wider regeneration strategies. |

Directors' Report for the year ended 31st March 2003

with the support, resourcing and specialist skills from:-

- | | |
|--|--|
| 4a Central Support Services and | To resource and overall manage the Trust as a sustainable and total quality organisation and to |
| 4b Business Management and Development | provide support services across the Trust and to our strategic partners and to promote a culture of empowerment, team working and continuous development of all staff, for the furtherance of the Trust's aims and objectives. |

The Trust has full accreditation as an Investors in People organisation.

RESERVES POLICY

The Trust's Policy on Reserves reflects the need for a prudent level of Working Capital appropriate to fund the budgeted Work Programmes and associated running costs until the agreed, measurable stages of work can be achieved and valued in compliance with grant conditions or contractual arrangements and subsequently invoiced and paid. The Trust seeks to maintain a level of reserves, which amounts to approximately two years of management and administration costs.

All expenditure is deemed to go through restricted funds since each element is funded by a restricted use grant. Each element of income is similarly derived from restricted grant monies.

A Report on the required levels of Working Capital and Cashflow is set out in the Annual Business Plan including the management of any risk.

GOVERNANCE

The Governance Planning process is set out in the Organisational Section of the Trust's 3 Year Business Plan which is approved by the Board.

The management and evaluation process is undertaken through the Board structure and Meetings Planning process which for 2003 – 2004 is as follows:-

Main Board - Focus Strategic Policy, Publicity, Direction

Main Board Meetings Planner:-

- | | | |
|---------|---|---|
| January | - | Tuesday 21 January 2003
(Work Programme and Draft Business Plan) |
| March | - | Tuesday 25 March 2003
(Business Plan Approval) |
| July | - | Tuesday 22 July 2003
(Federation Plan Consultation and Approval of End of Year Accounts) |

Directors' Report for the year ended 31st March 2003

- October - Tuesday 7 October 2003
(Half Year Review and Trust Forward Strategy)
- November - Tuesday 18 November 2003
(Pre Annual General Meeting Board Meeting)
- November - Tuesday 18 November 2003
Annual General Meeting

Finance and Personnel Sub Committee includes Fedw Hir as a Building and the use of the Site – Details of Trust Policies, Human Resources and Management, Processes and Financial details. Meetings are as required.

RISK MANAGEMENT

A Risk Assessment and Management Plan is set out in the Appendices of the Trust's Board approved Business Plan covering any issues on:-

Board	Financial Matters
Trust Reputation	Insurances
Resources	Reserves
Project Work	

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year that give a true and fair view of the state of affairs of the company as at the balance sheet date and the net incoming and outgoing resources of the company for the financial year. The directors are required to prepare the financial statements on the going concern basis, unless it is inappropriate to assume that the company will continue on that basis.

The Directors confirm that suitable accounting policies have been used and applied consistently and reasonable and prudent judgements and estimates have been made in the preparation of the financial statements for the year ended 31 March 2003. The Directors also confirm that applicable accounting standards have been followed.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 1985. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

BUSINESS REVIEW AND FUTURE DEVELOPMENTS

Results for the year

Incoming resources of £1,811,024 recognised for the 2002 - 2003 financial year was a decrease of 35% or £994,518 compared to the previous year. However, 2001 - 2002 included the completion of the major contractual works on the Community Millennium Park Project at Taff Bargoed, as well as the completion of 16 European Objective 2 projects. The comparison of incoming resources achieved in 2002 - 2003 to the budget for that year was a decrease of 11% or £233,114 mainly due to the delay in securing approval for a number of major ERDF projects.

The Trust continues its strategic role in working in partnership with the Local Authorities, Countryside Council for Wales, the Welsh Development Agency and other Public Agencies and the communities of Merthyr Tydfil and Rhondda Cynon Taff to bring about Community Revival Strategies, and the involvement of local business and to obtain the additionality from ERDF and other funders

Prior year project performance is set out in Pages 9 - 13, the Review of business 2002 - 2003. An overview of the successful projects and development work in each programme is detailed.

Staffing costs were a £132,801 or 19% reduction on the budgeted levels due to delayed recruitment of new posts until funding approval is secured and the use of a consultant engineer due to an unsuccessful recruitment process. Central running costs were a £71,601 or 22% increase over budgeted levels due partly to increased consultancy costs as well as increased insurance premiums and higher levels of irrecoverable VAT.

Core funding from the National Assembly for Wales for 2002 - 2003 was £156,000 and formed 9% of the total income generating a leverage of 1:11.61.

The net incoming resources for the year amounted to £19,915 [2002: £35,420] and was a surplus on restricted funds which has been transferred to unrestricted funds as the restrictions of the funders had been met.

This was a £8,915 or 81% increase on the levels budgeted for 2002 - 2003. The increase was due to additional fee earning commissions undertaken by the Trust.

Review of business 2002/03

2002 - 2003 has been a successful year despite the delays in approval for new Objective 1 projects. These delays resulted in reduced turnover compared to budget. However the development of Communities First has resulted in a number of opportunities for the Trust to work in new areas as well as funding further developments for some key existing areas. The Trust has had to continue to adapt to changing funding strategies and Welsh Assembly policies. Difficulties in recruiting key posts have led to a decision to develop the existing management team to take enhanced responsibilities and new roles.

Overview of 2002/03

The work programme for 2002 - 2003 was built on the key strategic areas of activity and given focus by the individual programme teams. These are:-

Community Regeneration Programme - Community Involvement

The key feature of the programme has been the continuity of existing support to communities into Communities First and Objective 1 programmes as well as support to other Community First areas.

The Trust continues to support the 3G's Communities First Programme as a board member and there has been considerable work during the year to secure Objective 1 and LRF funding for The Gurnos and Galon Uchaf Community and Physical Regeneration Programme. This project received approval in May 2003 allowing the regeneration of this area to move into a new phase.

The Gellideg Foundation Group has been supported by the Trust in the financial management of its Objective 1 project, which is now entering its second year and has already resulted in substantial improvements in community facilities. This together with other grant funding allows GFG to employ 17 staff to work for the regeneration of the estate.

The Taff Bargoed Valley Wide Strategy Group continues to take forward a Green Tourism Strategy for the Valley integrated with the Communities First Action Plans for Treharris, Trelewis and Bedlinog. A green tourism seminar for Merthyr Tydfil was hosted during the year and the park again hosted a number of prestigious visitors including the Millennium Commission, and delegations from Groundwork Japan and from Sweden.

The Fernhill Community continues to develop supported by both Objective 1 and Communities First programmes delivered through Groundwork. The various community organizations continue to develop the facilities and activities available to members of the community. Fernhill Youth Project continued to thrive providing facilities and training for young people from the estate and surrounding areas and members of the project were nominated for 2 Youth Excellence awards. The Community First consultation was carried out and will form the basis for the production of a community action plan.

The Abercwmboi Community Group commissioned the Trust to provide the services of a Technical Officer to work with and support them in participating in the Ancit Site Development Group. In Treherbert, the Blaenrhondda Community Group have commissioned the Trust to identify Green Tourism opportunities and new uses for old buildings. Requests from Communities First Partnerships have led to advice and assistance in a number of areas as well as commissioning of major participatory appraisal exercises in Ynysowen and Cwmamman.

Community Environments

There are two aspects of this Programme – Environments and Access Countryside and Tourism:-

Community Environments – Empowering local Environmental Action

The Programme has incorporated five key elements:-

- i. Greencare in the Rhondda and Taff Ely.
- ii. PPP Projects to develop community champions in the Cynon Valley.
- iii. Greencare in Merthyr.
- v. Volunteering and use of Fedw Hir Grounds.

In Rhondda and Taff Ely the Trust has worked with a number of community groups including Bethlehem View Residents Association, Llanharan on a wildlife garden for residents and schoolchildren and Ynyscynon Early Years Parents & Toddlers to create wildflower garden and birdhive.

In the Cynon Valley a pilot environmental ICT network project which forms part of the Groundwork Wales PPP Programme is linking community groups electronically and is being used to develop a bus service to provide transport links between the various communities.

Greencare has been working in a number of Community First areas including Fernhill, Miskin and Penrhiwceiber to support the Community Regeneration Partnership Initiatives.

In Merthyr Tydfil, the focus has been on Gurnos, Penydarren and Ynysowen working alongside our Community Regeneration Partners to build the capacity of Community Groups and undertake Practical Projects. A number of high profile projects incorporating environmental improvements and original artwork have been developed during the year.

A thematic of the whole Programme has been the Trust's Volunteering Programme and the use of Fedw Hir Grounds as a Resource Centre for Community Groups and excluded groups to use for Training, Networking, Outdoor Classroom Activity and Pilot Projects.

Access Countryside and Tourism - Conserving Natural Resources

This programme continues to focus on developing a network of cross valley loops and links centred on settlements and opportunities for Green Tourism in the Upper Valley reaches which bring economic and social opportunities to Communities First priority areas.

The Walking for Health Initiative has seen the launch of a number of walks to bring the health benefits of walking to Communities prioritized for Healthy Living investment. The Countryside Council for Wales Programme has extended a Network of PROW in Taff Ely and Initiatives with the Ramblers and Mid Week Groups. The Cydcoed Programme developed by Forest Enterprise has enabled a Woodland and Recreational Project in Ynysybwl to be created with future projects for Maerdy, and in the Merthyr area.

The Environment and Business Services Programme – Incorporating Strategic Landscape Improvements and Business Environments Service

This Programme supported by Groundwork Wales has increased the resources available with Co-ordinator posts jointly shared with each of our two Local Authorities. The Green Dragon Award Scheme continues to develop with over 45 companies currently being supported and 21 accredited.

Major sports & play developments have been progressed in Community First areas including Gellideg, Penydarren, Blaendowlais and Fernhill.

The role as environmental lead of the Ynysowen Regeneration Strategy has resulted in the production of strategy document and design guidelines. In addition a first phase feasibility study has now been completed for the refurbishment and use of Nixon House as a environmentally informed community resource center.

This Programme supports businesses across the County Borough Council areas of Merthyr and Rhondda Cynon Taff and continues to work with the Welsh Development Agency on the successful Brightsite programme producing 17 targeted sketch schemes of which 9 were implemented.

Business Management and Development and Central Services Support – Development, Researching and Implementation of Overall Programme

The Executive Director Team have led the Strategic Development Work on major Regeneration Projects.

Board Membership of the 3G's Trust has ensured success in the first stage of the Communities First Programme and a positive mutually supportive relationship has been established with the relevant Officers of the National Assembly for Wales

The Central Services Team have ensured that effective Financial Systems are implemented and credit controlled to achieve a total turnover of £1,811,024. The Surplus achieved for the year of £19,915 was a 81% increase of £8,915 over the levels budgeted for the year partly due to an increase of £6,420 earned in Bank Interest through prudent management of cash reserves in Central Services

Employee Involvement

The Trust registered as an Investors in People Organisation in 1994/95 and continues to work on the ongoing process of review and improvement to the practical process and changes of working practices on a staff led and fully participative basis. The objectives are to address issues raised in each year, by the staff through the appraisal process, by the Board, through the annual review process, and to develop programmes of training, which meets the needs of the Trust as a developing and effective organisation fulfilling the objectives and aims of the business plan.

The Investors in People process involves the full commitment of all staff, the Board and those involved with the Trust's work to work through, achieve consensus and effect the key structural and management culture changes. All staff are aware that this is an ongoing commitment to change to ensure that the efforts translate into cost effective, quality and sustainable outputs, which benefit the local communities we serve and to achieve the goals and targets of our business plan. The Trust achieved full IIP accreditation in Spring 1997 and was recognised as retaining recognition in July 2003.

The Trust has in place a number of detailed, Board approved policies in relation to specific areas of personnel matters, including:-

- Human resources management
- Equal opportunity
- Volunteers
- Health and safety
- COSHH
- Environment

A Personnel Pack incorporating the practical processes of recruitment, appointment, induction, training and support management is in operation.

Volunteer Involvement

The Trust works with a wide range of Volunteers and Community Groups in the Merthyr Tydfil and the Rhondda Cynon Taff County Borough Council areas and values their contribution and commitment through the framework of the Board approved Volunteer Policy. The Trust's Volunteer Strategy and Active Citizenship Programme is set out in the Operations Plan, Section 4 of the Business Plan.

Budget 2003/04

The budget for 2003 - 2004 has been approved by the Board as a part of the rolling three year Business Plan and includes a target of £2,401,000 for incoming resources for 2003 - 2004. This is an increase of 32% over the achievement of the previous year mainly due to the expected start of a number of major Objective 1 projects. The budget for 2003 - 2004 also addresses the resourcing strategy of delivering the work programme through a mix of the Trust's own staff, bought in specialists, other partner organisations including Groundwork Wales and a commitment to use local companies and resources wherever possible. Staff costs of £717,000 were approved for the budget year and the 25% increase on the previous year reflects the planned recruitment of additional posts to resource new development on the work programme budgeted for the year. Office running costs of £222,000 were approved for the budget year as a 4.7% increase on the previous year due to inflation.

The new incoming resources surplus budgeted for 2003 – 2004 of £35,000 is an increase of 76% on the levels of the previous year. This reflects the Trusts plan to build up its reserves.

The National Assembly for Wales core funding contribution will be £165,000 for the budget year 2003 – 2004 and will form 7% of the total income generating a leverage of 1:14.55.

The Trust has developed a 5 year strategic focus and this is summarised as follows:-

- Offering a service, which is noted for quality, innovation, commitment and community values in regeneration partnerships for project development, ecologically informed landscape design, community lead and involvement projects to all sectors in the Merthyr and Rhondda Cynon Taff areas.
- A partnership development role to promote and represent Voluntary Sector interests in the Objective 1 Strategy for Merthyr and Rhondda Cynon Taff Local and Regional Plans through the Executive Director.
- An Eco Tourism park in the Taff Bargoed Valley as an asset for the Taff Bargoed Development Trust, a key Green Tourism attraction and a demonstration of the Greening the Valleys principles.
- A Healthy Living and Enterprise Centre on the Gurnos as an asset for the 3G's Development Trust in Merthyr and a key social economy objective for the Communities First Programme of the National Assembly for Wales.
- Development of a Community Recreational and Green Economy Strategic Project as a Pilot Land Regeneration Trust Project determined by a Community lead approach in a Partnership with Rhondda Cynon Taff County Borough Council, the Welsh Development Agency and Forest Enterprise with potential Sites identified in Maerdy, Abercwmbi and Taff Merthyr.
- A community owned Youth and Family Social Enterprise complex on the Fernhill Estate as an asset for the Fernhill Community Partnership in the Cynon Valley and a partnership initiative with the Save the Children Fund supported by the National Assembly for Wales and Objective 1.
- Development of Fedw Hir as a Centre for social, entrepreneurial, innovation and environmental initiative which can generate new local employment and income to the Trust. The Creative Vision Media Community Enterprise is now established in the Old House and other initiatives are being developed/supported.
- An integrated Community Routeway and Cycle Network in Merthyr and Rhondda Cynon Taff linked to neighbouring areas through the Taff Trail, Cynon Trail, Celtic Trail, Taff Bargoed Trail, Rhondda Fach River Route and a Taff Ely Network which creates Green Tourism and Social Enterprise for local Communities operated by local Voluntary Organisations and Private Sector.

Directors' Report for the year ended 31st March 2003

- A Greencare Network for sustainable Community Environmental Projects, Local Tourism, local accessibility and available by every community in Merthyr and Rhondda Cynon Taff for local capacity building and local ownership.
- A Smart Business Park Programme, which focuses an Integrated Programme of Environmental Business Services, Brightsite and Grants to Businesses to create flagships of Economic Renewal for the new Valleys.
- A commitment to Groundwork themes on Education for schools and Lifelong Learning, Environmental Business Services for SME's, Sustainable Communities, Arts and the Environment and Evaluation of Groundwork practice backed up by financial and support resources secured by Groundwork UK.

Partners

The Trust's major partners in the year were the National Assembly for Wales, the County Borough Councils of Merthyr Tydfil and Rhondda Cynon Taff, the Welsh Development Agency, the Countryside Council for Wales, Save the Children Wales, the Millennium Commission, the Groundwork National Office and the funds and efforts of the local groups, volunteers and communities of Merthyr and Rhondda Cynon Taff.

Directors and members

The members and Directors are as set out on Page 3.

Auditors

During the year PricewaterhouseCoopers resigned as auditors to the Company and PricewaterhouseCoopers LLP were appointed to fill the casual vacancy. A resolution to reappoint PricewaterhouseCoopers LLP as Auditors will be proposed at the Annual General Meeting.

BY ORDER OF THE BOARD


SANDRA GREIG
COMPANY SECRETARY

Fedw Hir
Llwydcoed
Aberdare

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF THE MERTHYR AND RHONDDA CYNON TAFF GROUNDWORK TRUST

We have audited the financial statements which comprise the statement of financial activities, the balance sheet, the cash flow statement and the related notes which have been prepared under the historical cost convention (as modified by the revaluation of certain fixed assets) and the accounting policies set out in the statement of accounting policies.

Respective responsibilities of directors and auditors

The Trustees are also Directors of the Trust for the purpose of Company Law. Their responsibilities for preparing the annual report and the financial statements in accordance with applicable United Kingdom law and accounting standards are set out in the statement of directors' responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom auditing standards issued by the Auditing Practices Board. This opinion has been prepared for and only for the company's members in accordance with section 235 of the Companies Act 1985 and for no other purpose. We do not, in giving this opinion, accept or assume any responsibility for any other purpose or to any other person to whom this report is shown or in to whose hands it may come save where expressly agreed by our consent in writing.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the directors' report is not consistent with the financial statements, if the charitable company has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding directors' remuneration and transactions is not disclosed.

We read the other information contained in the annual report and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. The other information comprises only the Report of the Directors.

Basis of audit opinion

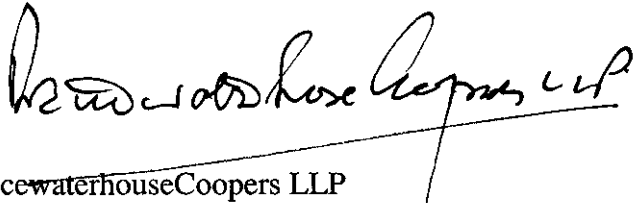
We conducted our audit in accordance with Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Directors in the preparation of the financial statements, and of whether the accounting policies are appropriate to the charitable company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Independent Auditors' Report for the year ended 31st March 2003

Opinion

In our opinion the financial statements give a true and fair view of the state of the charitable company's affairs at 31st March 2003 and of its incoming resources and application of resources, including its income and expenditure and cash flows, for the year then ended and have been properly prepared in accordance with the Companies Act 1985.



PricewaterhouseCoopers LLP
Chartered Accountants and Registered Auditors
Cardiff

18 November 2003

Statement of Financial Activities (including Income and Expenditure Account) for the year ended 31st March 2003

	Notes	Unrestricted Funds	Restricted Funds	Totals 2003	Totals 2002
		£	£	£	£
INCOMING RESOURCES					
Activities to further the charity's objectives:					
Core funding		0	209,410	209,410	204,000
Project funding		0	1,348,271	1,348,271	2,358,348
Movement in deferred income		0	235,173	235,173	223,684
Interest received		0	16,420	16,420	17,760
Other income		0	1,750	1,750	1,750
Total income	2	0	1,811,024	1,811,024	2,805,542
RESOURCES EXPENDED					
Charitable expenditure:-					
Cost of activities in furtherance of the charity's objectives:					
Community Regeneration		0	773,730	773,730	1,563,893
Community Environments		0	366,041	366,041	471,767
Environmental & Business Services		0	257,813	257,813	434,783
Management and administration of the charity		0	393,525	393,525	299,679
Total resources expended	4	0	1,791,109	1,791,109	2,770,122
Net incoming resources before transfers	3	0	19,915	19,915	35,420
Transfers between funds		19,915	(19,915)	0	0
Net incoming resources for the year		19,915	0	19,915	35,420
Fund balances brought forward at 1 April 2002		531,262	0	531,262	495,842
Fund balances carried forward at 31 March 2003		551,177	0	551,177	531,262
REPRESENTED by:					
Fixed assets		300,903	0	300,903	315,747
Cash		121,086	455,605	576,691	504,385
Debtors		198,112	259,420	457,532	751,517
Creditors		(68,924)	(715,025)	(783,949)	(1,040,387)
		551,177	0	551,177	531,262

All of the above results are derived from continuing activities. The surplus for the year for Companies Act purposes comprises the net incoming resources for the year.

Note of Historical Cost Surpluses and Deficits for the year ended 31st March 2003

Note of historical cost surpluses and deficits

	2003	2002
	£	£
Reported net retained incoming resources	19,915	35,420
Difference between historical cost depreciation and the actual depreciation charge for the year calculated on the revalued amount	2,343	2,343
Historical cost net incoming resources	22,258	37,763

The Company has no recognised gains and losses other than the surplus above and, therefore, no separate statement of total recognised gains and losses has been presented.

Groundwork Merthyr & Rhondda Cynon Taff

Balance Sheet as at 31st March 2003

	Notes	2003 £	2002 £
FIXED ASSETS			
Tangible assets	5	300,903	315,747
CURRENT ASSETS			
Debtors	6	457,532	751,517
Cash at bank and in hand		576,691	504,385
		1,034,223	1,255,902
CREDITORS: amounts falling due within one year	7	634,793	877,414
Net current assets		399,430	378,488
Total assets less current liabilities		700,333	694,235
CREDITORS: amounts falling due after more than one year	8	149,156	162,973
Net assets		551,177	531,262
FUNDS			
Unrestricted funds:			
General funds	11	448,902	424,117
Funds arising from Revaluation	11	102,275	107,145
Restricted funds	11	0	0
Total funds		551,177	531,262

The financial statements on pages 18 to 31 were approved by the directors on *18 November 2003* and signed on their behalf by:

Peter Saunders MBE Director

Richard Gray Director

The notes on pages 16 to 29 form part of these financial statements.

Groundwork Merthyr & Rhondda Cynon Taff

Cash Flow Statement as at 31 March 2003

	Notes	2003 £	2002 £
Net cash inflow/(outflow) from operating activities	10a	82,761	66,375
Returns on investment and the servicing of finance			
Interest paid		(9,623)	(11,719)
Interest received		16,420	17,760
Capital Expenditure		(5,185)	(2,860)
Net cash inflow/(outflow) before management of liquid resources	10b,c	84,373	69,556
Management of liquid resources			
Cash (placed on)/received from short term deposit		(50,000)	(100,000)
(Decrease) in cash in the year	10	(15,627)	(30,444)

1. PRINCIPAL ACCOUNTING POLICIES

The Financial Statements have been prepared in accordance with applicable Accounting Standards in the United Kingdom and, except for the format of the Statement of Financial Activities and Balance Sheet, in accordance with the Companies Act 1985. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Company status

Groundwork Merthyr & Rhondda Cynon Taff is incorporated as Merthyr and Rhondda Cynon Taff Groundwork Trust and is a Company Limited by Guarantee. The guarantors are the Groundwork federation and the County Borough Councils of Merthyr Tydfil and Rhondda Cynon Taff. The liability in respect of the guarantee, as set out in the memorandum, is limited to £1 per member of the Company. The Trust has availed itself of Paragraph 3 (3) of Schedule 4 of the Companies Act and adapted the Companies Act formats to reflect the special nature of the Company's activities.

Basis of accounting

The Financial Statements have been prepared under the historical cost convention, modified by the revaluation of certain fixed assets. The recommendations of the 2000 SORP "Accounting and Reporting by Charities" have been followed in the preparation of these Financial Statements. The Company is a Registered Charity and so achievements cannot be measured by normal commercial criteria. Accordingly, the directors consider that it would be inappropriate to present the Financial Statements in either of the formats set out by the Companies Act 1985. Therefore, as permitted by the Companies Act, in order to reflect the special nature of the Company's activities, the directors are of the opinion that it would be more appropriate to present a Statement of Financial Activities (rather than a Profit and Loss Account and a Statement of Recognised Gains and Losses) and a modified Balance Sheet.

Fund accounting

General funds are available for use at the discretion of the Directors in furtherance of the general objectives of the Trust.

Restricted funds are funds subject to specific restrictive conditions imposed by funders or by the purpose of the grant. The purpose and use of the restricted funds is set out in note 10 to the Financial Statements.

Transfers between funds are made in accordance with these specific restrictive conditions. Transfers in respect of depreciation are made in accordance with generally applied accounting policies.

All income and expenditure is shown in the Statement of Financial Activities.

**Resources arising
Income**

Income or grants received in advance are held in deferred income, as part of restricted funds, and carried forward to future accounting periods to be released when the measurable stages of work have been completed, approved or certified and all the conditions have been met. Any grants restricted to future accounting periods are deferred and recognised in those accounting periods.

Income is stated gross of any related expenses.

Gifts in Kind

Gifts in kind are not valued in the accounts.

Resources expended

The cost headings comprise expenditure, including staff costs, directly attributable to the activity. Where costs cannot be directly attributed they have been allocated to activities on a basis consistent with use of the resources.

Support costs comprise all services supplied centrally identifiable as wholly or mainly in support of charitable expenditure and include an appropriate proportion of general overheads.

Central overheads are allocated on the basis of their use with the aim of ensuring that those costs remaining within the administration relate to the management of the Trust's assets, organisational administration and compliance with constitutional and statutory requirements.

Tangible fixed assets and depreciation

Tangible fixed assets are capitalised and included at cost together with any incidental costs of acquisition.

Freehold land and buildings were revalued at 31 March 1999 on an existing use basis by professionally qualified valuers. Freehold land and buildings are valued every five years by professionally qualified valuers. The Trust does not consider there has been any significant change in the value of Fedw Hir. Other tangible fixed assets are stated in the balance sheet at cost less accumulated depreciation.

An impairment review of fixed assets is carried out by the Directors whenever changes of circumstances indicate that the carrying amount of the fixed assets may not be recoverable. If the asset has suffered a permanent diminution in value, it will be written down to its estimated recoverable amount, which is the higher of the net realisable value and the value in use.

Depreciation

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost on a straight line basis over their expected economic lives as follows:

Freehold land	-	nil
Freehold buildings	-	over 25 years
Motor vehicles	-	over 4 years
Office equipment	-	over 5 years
Computer equipment	-	over 3 years

Capital Grants

Grants that relate to specific capital expenditure are treated as deferred income, which is released to the credit of the income and expenditure account over the related asset's useful life.

Recognition of Liabilities

A liability is recognised when an obligation arises to transfer economic benefits. Where a liability arises of uncertain timing or amount a provision is recognised. Where there is uncertainty as to the existence of the liability or the liability is dependant upon the outcome of future uncertain events, then no provision is recognised but a contingent liability will be disclosed in a note to the accounts.

Pension Costs

The Trust contributes to employees' own personal pension schemes. This pension cost charge represents contributions payable by the Trust to the individual schemes.

Irrecoverable VAT

Where the Trust suffers irrecoverable VAT in relation to a Trust project it is included within the costs of that project. Where the Trust suffers irrecoverable VAT in respect of other costs this is included within the management and administration costs of the charity.

Finance and Operating Leases

Assets purchased under finance lease are capitalised as fixed assets. Obligations under such agreements are included in creditors. The difference between the capitalised cost and the total obligation under the lease represents the finance charges.

Finance charges are written off to the income and expenditure account over the period of the lease so as to produce a constant periodic rate of charge on fixed interest contracts.

2.	TOTAL INCOMING RESOURCES	2003 £	2002 £
	Central government	206,000	189,500
	Public agencies	109,081	243,564
	Local government	462,922	430,068
	European Union	505,875	1,226,913
	Private Sector	510,726	697,737
		1,794,604	2,787,782
	Interest Received	16,420	17,760
		1,811,024	2,805,542
3.	NET INCOMING RESOURCES BEFORE TRANSFERS is stated after charging:	2003 £	2002 £
	Staff costs (see Note 4)	572,346	542,934
	Depreciation on tangible owned fixed assets	20,029	19,117
	Bank interest payable	9,623	13,417
	Operating lease rentals on hire of plant and machinery	21,387	17,977
	Auditors' remuneration:		
	- Audit fee	9,000	9,000
	- Accountancy, taxation and other services	3,500	3,500
	And after crediting:		
	- Amortisation of Deferred Capital Grant	1,750	1,750

Notes to the Financial Statements for the year ended 31st March 2003

4.	TOTAL RESOURCES EXPENDED	Staff costs	Other direct costs	Other allocated costs	Total 2003	Total 2002
		£	£	£	£	£
	Community Regeneration	57,427	677,393	38,910	773,730	1,563,893
	Community Environments	117,714	186,071	62,256	366,041	471,767
	Environmental & Business Services	129,460	73,879	54,474	257,813	434,783
	Management and Administration	267,745	281,420	(155,640)	393,525	299,679
		572,346	1,218,763	0	1,791,109	2,770,122
	Staff costs:				2003	2002
					£	£
	Wages and salaries				506,050	479,435
	Social security costs				43,774	42,666
	Pension costs				22,522	20,833
					572,346	542,934
	No employee earned more than £50,000					
	The directors neither received nor waived any emoluments and were not reimbursed for any of their expenses during the year (2002: £ Nil)					
	During the year the Trust incurred £1,496 (2002: £ 1,208) in respect of trustee liability insurance.					
	The average number of employees, analysed by function was:-				2003	2002
	Direct charitable expenditure				21	21
	Management and administration of the charity				4	4
	Other allocated costs are analysed as follows:-				2003	2002
					£	£
	Premises				14,770	18,668
	Centralised Services				91,493	86,201
	Travel				3,631	4,854
	Other operating costs				45,746	48,021
					155,640	157,744
	Management and administration costs are analysed as follows:-				2003	2002
					£	£
	Premises				37,981	35,223
	Central Services				230,813	162,693
	Travel				9,336	9,158
	Other Costs				115,395	90,605
					393,525	299,679

Notes to the Financial Statements for the year ended 31st March 2003

5.	TANGIBLE FIXED ASSETS	Freehold land and buildings	Project equipment	Motor vehicles	Office and computer equipment	Total
		£	£	£	£	£
	Cost or valuation					
	1 April 2002	350,000	1,544	9,830	40,205	401,579
	Additions	0	0	0	5,185	5,185
	Disposal	0	0	0	0	0
	31 March 2003	350,000	1,544	9,830	45,390	406,764
	Depreciation					
	1 April 2002	42,000	1,544	9,830	32,458	85,832
	Charge for year	14,000	0	0	6,029	20,029
	Disposals	0	0	0	0	0
	31 March 2003	56,000	1,544	9,830	38,487	105,861
	Net book value					
	31 March 2003	294,000	0	0	6,903	300,903
	31 March 2002	308,000	0	0	7,747	315,747

Cost or valuation at 31 March 2003 is represented by

Valuation in 1999	350,000	0	0	0	350,000
Cost	0	1,544	9,830	45,390	56,764
	350,000	1,544	9,830	45,390	406,764

The freehold land and buildings were valued at 31st March 1999 on an existing use basis by Cooke and Arkwright, a firm of independent chartered surveyors. The Directors consider that the 1999 valuation is still appropriate at the Balance Sheet date.

If freehold land and buildings had not been revalued they would have been included at the following amounts:-

	2003	2002
	£	£
Cost	291,413	291,413
Aggregate depreciation based on cost	(115,119)	(103,462)
Net book value based on cost	176,294	187,951

The net book value at 31 March 2003 of freehold land and buildings represents fixed assets, which are held as unrestricted for the furtherance of the Trust's general charitable objectives and costed to project activity through depreciation charges.

Notes to the Financial Statements for the year ended 31st March 2003

	2003 £	2002 £
6. DEBTORS:- amounts falling due within one year		
Trade debtors	393,353	680,055
Prepayments	24,065	34,200
Accrued income	40,114	37,262
	<u>457,532</u>	<u>751,517</u>

	2003 £	2002 £
7. CREDITORS:- amounts falling due within one year		
Bank mortgage loan	12,067	12,067
Trade creditors	54,991	95,581
Other creditors	38,872	5,730
Accruals and Deferred income	527,113	762,286
Deferred capital grant	1,750	1,750
	<u>634,793</u>	<u>877,414</u>

Included in deferred income is an amount of approximately £93,000 for contract and other maintenance work in respect of the ten year Taff Trail maintenance and Merthyr Tydfil Joint Venture projects which are funded by ERDF funds and will be incurred from 2003/04 onwards. The Trust is performing a co-ordinating role on behalf of various statutory authorities in respect of these ERDF funds, which are repayable upon demand if certain conditions are not met.

	2003 £	2002 £
8. CREDITORS: amounts falling due after more than one year.		
Bank mortgage loan	129,716	141,783
Deferred capital grant	19,440	21,190
	<u>149,156</u>	<u>162,973</u>

	2003 £	2002 £
An analysis of the loans by due date of repayment is set out below:		
Bank mortgage loan		
Repayable between two and five years	48,266	48,266
Repayable after five years by instalments	81,450	93,517
	<u>129,716</u>	<u>141,783</u>

	2003 £	2002 £
The total value of loans repayable by instalments, any part of which falls due after more than five years.	141,783	153,850

The bank mortgage loan amounting to £141,783 (2002: £153,850) is secured by a first legal charge on the company's freehold buildings. The loan is repayable over 15 years. Repayments total £12,067 per annum. Interest is charged at 6.5%.

	2003 £	2002 £
9. MOVEMENTS IN DEFERRED INCOME:		
Deferred income at 1 April 2002	762,286	985,970
Amounts released from previous year	(580,952)	(594,808)
Incoming resources deferred in the year	345,779	371,124
Deferred income at 31 March 2003	<u>527,113</u>	<u>762,286</u>

On 12 September 2002 a company involved in work at the Taff Bargoed Millennium Park appointed a Liquidator. The Trust is seeking additional income to offset the net unfunded cost of the work of approximately £306,000, incurred to 31 March 2003 as part of its ongoing activities.

Notes to the Financial Statements for the year ended 31st March 2003

10.	CASH FLOW INFORMATION	2003	2002	
		£	£	
a.	Reconciliation of net incoming resources before transfers to net cash inflow from operating activities			
	Net incoming resources before transfers	19,915	35,420	
	Depreciation charges	20,029	19,117	
	Interest payable	9,623	13,417	
	Interest receivable	(16,420)	(17,760)	
	Decrease/(increase) in trade debtors	286,702	242,344	
	(Increase)/decrease in prepayments	10,135	(29,814)	
	Decrease/(increase) in accrued income	(2,852)	225,041	
	(Decrease)/increase in trade creditors	(40,590)	(181,271)	
	(Decrease)/increase in other creditors	33,142	(14,685)	
	(Decrease)/increase in obligations under finance leases	0	0	
	Increase/(decrease) in deferred income	(235,173)	(223,684)	
	(Decrease) in deferred capital grant	(1,750)	(1,750)	
	Net cash inflow from operating activities (Page 19)	82,761	66,375	
b.	Reconciliation of net cash flow to movement in net cash resources	2003	2002	
		£	£	
	(Decrease)/increase in cash in the year	34,373	(30,444)	
	Management of liquid resources	50,000	100,000	
	Movement in deposits			
		84,373	69,556	
	Net cash resources at 1 April 2002	350,535	280,979	
	Net cash resources at 31 March 2003	434,908	350,535	
c.	Analysis of movements in cash resources			
		At	Cash Flows	At
		1 April		31 March
		2002		2003
		£	£	£
	Cash at bank and in hand:			
	Cash in hand and deposits repayable on demand	31,689	22,306	53,995
	Cash held on deposit	472,696	50,000	522,696
		504,385	72,306	576,691
	Bank loans due within one year	(12,067)	0	(12,067)
	Bank loans due after one year	(141,783)	12,067	(129,716)
		350,535	84,373	434,908
	Analysed in the balance sheet:			£
	Cash at bank and in hand			576,691
	Bank loans due within one year			(12,067)
	Bank loans due after one year			(129,716)
				434,908

Notes to the Financial Statements for the year ended 31st March 2003

11. FUNDS

	Balance at 31 March 2002 £	Movement in year £	Transfer re depreciation £	Balance at 31 March 2003 £
Unrestricted funds:				
General funds	424,117	19,915	4,870	448,902
Funds arising from revaluation	107,145	0	(4,870)	102,275
Restricted funds	0	0	0	0
	531,262	19,915	0	551,177

All funds are raised and given for specific purposes and projects and are output related. These outputs incorporate both internal and external fees, consultancies, project spend and implementation work. The conditions governing the income or grants restrict these funds and when these conditions have been met the earned income becomes unrestricted and used as a contribution to the Trust's unrestricted funds. The Trust's unrestricted funds are used to provide the necessary cash flow for projects funded on a retrospective basis and to cover running costs until earned income is certified from measurable stages of work and can be used, with the approval of the Trust's Board, to fund any expenditure relating to projects or general running costs which fall within the Trust's general aims and objectives.

12. PENSION COSTS

The Trust contributes to employees' own personal pension schemes. The pension cost charge represents contributions paid by the Trust to the individual schemes and amounted to £22,522 (2002: £20,833).

13. CONNECTED PERSONS

During the year £nil was paid (2002:£8,213) to Fiona Cloke Associates Limited, a company connected through the spouse of an officer of the company in respect of architects' fees.

Notes to the Financial Statements for the year ended 31st March 2003

14. FINANCIAL COMMITMENTS

The Trust has entered into non-cancellable operating leases in respect of plant and machinery. The total amount payable under these leases in the next year is as follows:-

OFFICE EQUIPMENT	2003	2002
	£	£
Expiring within 2 – 5 years inclusive	12,907	7,500

15. GRANT INCOME

The following have provided grant income for support costs and direct charitable expenditure in excess of £2,000 to the Trust, which has been recognised in the year 2002/03.

Name of Funder	Amount awarded £	Purpose of grant
The National Assembly for Wales	156,000	Sponsorship
Merthyr Tydfil County Borough Council	22,660	Sponsorship
Rhondda Cynon Taff County Borough Council	30,750	Sponsorship
The National Assembly for Wales	50,000	Direct Project Expenditure
Merthyr Tydfil County Borough Council	235,869	Direct Project Expenditure
Rhondda Cynon Taff County Borough Council	173,645	Direct Project Expenditure
ERDF	505,875	Direct Project Expenditure
Millennium Commission	134,742	Direct Project Expenditure
Countryside Council for Wales	50,000	Direct Project Expenditure
Henry Smith Charitable Foundation	8,588	Direct Project Expenditure
Biffa Award Landfill Tax	18,959	Direct Project Expenditure
Forest Enterprise	31,364	Direct Project Expenditure
Blaenrhondda Community Association	5,000	Direct Project Expenditure
Bethlehem View Residents Assoc	2,200	Direct Project Expenditure
Community Safety advice Centre	12,600	Direct Project Expenditure
Health Promotion Service	8,530	Direct Project Expenditure
Cwmni Development Trust	15,975	Direct Project Expenditure
Wales Co-operative Centre	16,745	Direct Project Expenditure
Ynysowen Neighbourhood Renewal	20,000	Direct Project Expenditure
Groundwork Wales	114,090	Direct Project Expenditure
Welsh Development Agency	27,717	Direct Project Expenditure
Private Sector via Groundwork National Office	21,645	Direct Project Expenditure