

**Report of the Trustees and
Financial Statements
for the year ended 31st December 2006**

for

**Valleys Furniture Recycling Limited
(Limited by Guarantee)**

Trading as "Too Good to Waste"

MONDAY



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COMPANIES HOUSE

**Valleys Furniture Recycling Limited
(Limited by Guarantee)**

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For the year ended 31st December 2006**

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**Valleys Furniture Recycling Limited
(Limited by Guarantee)**

Legal and Administrative Information

Year ended 31st December 2006

Registered Numbers:

Company number 3286173

Registered charity number 1064588

Status

The organisation is a charitable company limited by guarantee, incorporated on 2nd December 1996 and registered as a charity in September 1994

The company was established under a Memorandum of Association, which sets out the objects and powers of the charitable company and is governed under its Articles of Association. Under those Articles, the members of the Board of Directors are elected from nominated "full" members at the AGM. One third of the elected Directors shall retire from office (those who have been longest in office since their last appointment or re-appointment) at the end of each AGM but may be re-appointed if nominated and elected.

Board of Directors and Trustees

The directors of the charity are its trustees, for the purpose of charity law and throughout this report they are collectively referred to as trustees.

The trustees who served during the period under review and since the year end were as follows -

Tony Croke, Chairman
David Lewis, Vice Chairman
Sheila Rees
Adrian Thomas
Anthony O'Connell

Alan Thomas, Treasurer
Martyn Birch
Victor Chambers
Melinda Evans

Secretary & Chief Executive Officer

Mrs Lynda Davies

Registered Office & Principal address.

Unit 12 Highfield Industrial Estate
Ferndale
Rhondda Cynon Taf
CF43 4SX

Showroom:

Unit 3
Aberaman Industrial Park
Aberaman
Aberdare
CF44 6DA

**Valleys Furniture Recycling Limited
(Limited by Guarantee)**

Legal and Administrative Information

Year ended 31st December 2006

Auditors:

Broomfield & Alexander Limited
Chartered Accountants & Registered Auditors
Pendragon House
Caxton Place
Pentwyn
Cardiff CF23 8XE

Bankers:

Barclays Bank plc
PO Box 32
Pontypridd
Rhondda Cynon Taf
CF37 4YA

Solicitors:

Dolmans
17 –21 Windsor Place
Cardiff
CF10 3DS

Geldards
1 Dumfries House
Dumfries Place
Cardiff
CF10 3ZF

**Valleys Furniture Recycling Limited
(Limited by Guarantee)**

Report of the Trustees

Year ended 31st December 2006

The trustees are pleased to present their report together with the financial statements of the charity for the year ended 31st December 2006

Legal and administrative information set out on pages 1 and 2 forms part of this report

The financial statements comply with current statutory requirements, the Memorandum and Articles of Association and the Statement of Recommended Practice – Accounting and Reporting by Charities

We are pleased to report that during the year, the core Charity activities were maintained and a number of individually funded projects managed

Company members

The liability of the members of the company is limited to £1 each

There were 50 members of the company at 31st December 2006

Objects and Principal Activities of the Charity

The charity exists to assist with the relief of poverty

- by helping to meet the furniture and household items needs of people on a low income, by, but not limited to, recycling household items which would otherwise be thrown away and by advancing more sustainable waste management practices
- by advancing the education and development of people, through providing opportunities to volunteer, train, develop work and social skills, gain work experience and encourage social integration

Mission Statement

The charity is committed to helping those in need, community regeneration & reduction in waste to landfill and is proud of its role in providing an essential service to the community

Structure, Governance and Management

Governing document

Toogoodtowaste (Valleys Furniture Recycling Limited) is a company limited by Guarantee, governed by its Memorandum and Articles of Association adopted at the Annual General Meeting on 19th June 2000 and amended to accept the use of the trading name 'toogoodtowaste' on 25 03 2002. It is registered with the Charity Commission and Companies House. The business of the Company is managed and administered by a Board of Directors who are accountable to the members of the Company and who are regarded as the Directors of the Company.

The Directors may admit to 'Full Membership' individuals over the age of 18 years and/or any society, unincorporated association or company who are in agreement with the objects of the Company. The Directors may also admit to 'Associate Membership', employees of the Company or their immediate family. There are currently 50 members, consisting of 26 individuals and 12 groups who hold full membership plus 12 associate members (50 in 2005). Every member of the Company undertakes to contribute £1 to the Company's assets if the company should be dissolved whilst she/he is a member.

Appointment of Trustees

As set out in the Articles of Association, the Chair of the Trustees is elected by the Board in their first business meeting following the AGM. Trustees are nominated by FULL members of the Company. A third of Trustees must retire by rotation (longest in office) at each AGM, but may put themselves forward for re-election. The Trustees have the power to co-opt further members to fill specialist roles. Co-opted members will retire prior to the next AGM but may present themselves for election at the AGM.

**Valleys Furniture Recycling Limited
(Limited by Guarantee)**

Report of the Trustees (Continued)

Year ended 31st December 2006

Trustee recruitment, induction and training

New Trustees are encouraged to attend an informal meeting with representatives from existing Board members to discuss the Values, Aims and Objectives of the Company and their obligations under Charty and Company Law. An 'induction day' is organised to brief them on the content of the Memorandum and Articles of Association, the committee and decision making process, the business plan and recent financial performance of the Company. During the induction day they meet key employees and other personnel. Trustees are encouraged to attend appropriate external training events to support the undertaking of their role.

Organisation

The Board of Trustees can have up to 15 members to administer the Company. Board meetings are held bi-monthly with Finance sub-committee meetings held monthly and an Employment sub-committee convened as and when requested. A Chief Executive is appointed, who also serves as Company Secretary.

Related parties

18 support organisations working within Rhondda Cynon Taf have signed a referral agreement with the Company.

The Company has a Partnership Agreement with Rhondda Cynon Taf County Borough Council (RCT CBC) to deliver a Strategic Recycling Scheme (SRS) project, "Minimise waste – Maximising Social Benefits", up to March 2008. There is also a Service Level Agreement with RCT CBC's Environmental Services Department which requires the Company to provide a collection and reuse service for reclaimable materials from householders. Funding of £20,000 is provided to cover some of the costs associated to this service.

Risk Management

The Trustees requested and received a report from the Carbon Trust, on limiting carbon emissions as part of the refurbishment of the Ynyshir building (part of the Strategic Recycling Scheme project). The Trustees have considered the financial risks to the Company resulting from the end of project funding. A review of Health and Safety within the organisation has been undertaken complete with risk assessments. Within the first half of 2007 the Trustees will undertake a review of other risks including, changes in personnel, financial risks and fire.

Objectives and Activities

The Company exists to assist with the relief of poverty

- by helping to meet the needs of people on a low income, by but not limited to, recycling household items which would otherwise be thrown away and by advancing more sustainable waste management practices
- by advancing the education and development of people, through providing opportunities to volunteer, train, develop work and social skills, gain work experience and encourage social integration

The Company has a general aim of contributing to Community Regeneration and to improving the quality of life for residents of the County Borough of Rhondda Cynon Taf through work based learning whilst providing waste minimisation and reuse services. The main objective for the year was to secure an operating base from which the Company could expand (range of goods recycled and number of showroom outlets) and in the long term purchase that operating base.

The Strategies employed to achieve the Company's objectives were

- As part of the SRS project, negotiate an agreement with the Local Authority for the lease and purchase (within 5 years) of Unit 1 Standard Industrial Estate, Ynyshir
- With Architect support, design and cost the refurbishment of the Ynyshir unit to establish a central warehouse distribution facility for reusable materials (initially furniture and domestic electrical appliances)
- 'Open to all', providing unrestricted access to everyone to select reusable items from showrooms (not restricted to low income households) at second-hand market values
- Produce new advertising materials to encourage people to "choose recycled"
- Maintain 'Charitable' objectives to assist those on a low income by offering home 'Start-up Packs' and a 30% discount on furniture items for low income households
- Raise standard of work based learning by developing a training manual for Customer Care volunteers and placements
- Improve stock rotation and displays
- Consolidate collection and telephone service into one branch (not split between different offices)

The three major areas of activities are to

- Refurbish the Ynyshir building for use as a central distribution warehouse
- Change internal operating procedures to work from a central warehouse
- Maintain and improve customer services and work based learning

**Valleys Furniture Recycling Limited
(Limited by Guarantee)**

Report of the Trustees (Continued)

Year ended 31st December 2006

Refurbishing Ynyshir building – central distribution warehouse

The Company, as part of the Strategic Recycling Scheme project (European Regional Development Fund No SRS 011 and in partnership with the Local Authority aims to minimise waste and maximise social benefits. The 9,000 sq ft building with car park facility is located within the community of Ynyshir, adjacent to the new Porth bi-pass relief road. It is owned by the Local Authority and in a poor state of repair. Its size and location will provide a good base for the Company to set up a warehouse for reusable materials, where the sort, repair and quality control of items can be undertaken before being redistributed to its existing and new showroom outlets, thus increasing the volume and range of goods recycled and reused.

Changing internal operating procedures

The Company operates from two branches (Ferndale and Aberaman), where stock control and transportation is operated almost independently, depending upon the resources available at any time. Each branch has a different telephone number and delivery/collection routes, with customers to the south of the County Borough unclear which is their nearest showroom. The manual record keeping systems implemented eleven years ago do not provide 'up-to-date' work experience and training opportunities neither can they facilitate an increase in activity.

Maintaining and improving customer services and work based learning

Customers wishing to donate items can telephone their nearest showroom (Ferndale or Aberaman) to offer their items for reuse. Donations must meet health and safety standards, particularly in regard to fire retardant furnishings. To encourage reuse as an alternative to landfill, a free transport service is provided for the collection of suitable items, part funded by a grant from *Cleanstream*.

Customers wishing to choose recycled furniture can visit either of the showrooms. The Company operates from two locations within the County Borough of Rhondda Cynon Taf, Ferndale (Rhondda Fawr) and Aberaman (Aberdare). There are currently no showrooms provided in the southern area of the County Borough (Taff Ely). Both showrooms operate from industrial units paying full commercial rent. Customer Services maintain the showrooms to a high standard to ensure that customers have a positive "shopping experience," regardless of their financial status. Individuals and organisations can visit their nearest showroom, both of which display a range of household items in room settings complete with colour co-ordinated furnishings.

Customers on a low income, are invited choose individual items from display to suit their requirements and offered a discount of up to 30%. For those customers setting up a home, a "Start up Pack" of furniture is available. This package contains up to six essential items (including suite, wardrobe, bed) plus bedding and kitchen utensils, selected from the showroom, for the cost of £150. Free delivery is available to low income customers.

The Company aims to support those individuals who are in the greatest need and accepts referrals from support organisations, to provide 'Start up packages' to people who have 'no financial resources and/or who are not eligible for statutory financial assistance'. As this level of support provides no income, the Company has undertaken fundraising to sponsor the providing of this essential service. *BBC Children in Need* has provided funding to the Company to supply free "Start up Packs" to 16 – 18yr olds in need. *Rhondda Housing Association (H A), Newydd H A and Pontypnidd & District H A* sponsor a limited number of 'Start up packages' for their tenants in need of help. *Providence Church, Ystrad, Rhondda and Thompson Financial* also sponsored packages.

8 organisations have referred individuals to the Company for help. These include Taff Ely Social Services, Youth Offending Team, RCT Housing, Fernhill, RCT/Taff Ely Education and Children's Services.

To raise awareness of reuse / recycling and support community regeneration at a local level throughout Rhondda Cynon Taf, 'Roadshows events' are organised in various locations by the Company in partnership with a local group. A wide selection of Furniture is placed on display along with information on reuse, recycling and work experience / volunteering. Other agencies join these events to promote their services locally including RCT's SORT team (sort out recycling together), Interlink (Voluntary Council for RCT) and Crime Prevention. Whilst this service requires considerable co-ordination and resources (personnel, transport, advertising etc.) they ensure that services are provided to hard-to-reach communities.

Project No 54953 European regional development funding (ends December 2006), to 'increase reuse through community action' has supported the Roadshows events, awareness raising information (posters, website, leaflets) and enabled the Charity to engage in various community events, provide information talks, and support a number of public information days with the Rhondda Cynon Taf environmental services SORT team. The Chief Executive Officer has served as the Voluntary Sector elected member on the Community Plan Better Life consortium and as part of the Environmental Forum.

**Valleys Furniture Recycling Limited
(Limited by Guarantee)**

Report of the Trustees (Continued)

Year ended 31st December 2006

With only a small paid staff team of eleven, the organisation remains dependent on voluntary help

Achievements and performance

Business in the Community invited Chief Executive Lynda Davies to give a presentation to over 200 Business partners, on the value of business support for community regeneration

The company received the 'Team Volunteer of the Year' award by Interlink in recognition of the way all departments and their unpaid staff work together to a high standard

During 2006, 75 people supported the Chanty in an unpaid capacity, providing 19558 No of hours equivalent to £113,828 00

A number of training courses were provided during the year, 20 people attend First Aid for work, 10 people received Manual handling training, 6 Volunteers had Fire Extinguisher training Two employees reached NVQ level 4 and two reached NVQ Level 3

Refurbishing Ynyshir building – central distribution warehouse

In May 2006, the Company was advised that its funding from the Strategic Recycling Scheme had been suspended due to a dispute between Wales Council for Voluntary Action (WCVA) and the European Funding Office over 'unresolved state aid issues' This suspension in funding not only put the building applications, plans, negotiations and contracts for refurbishing the Ynyshir warehouse on hold but also diverted management time away from service delivery to focus on cash flow projections, short term and long term survival and gathering support

Offers of support were received from individuals, organisations and private companies throughout Rhondda Cynon Taf From beneficiaries, community groups, Councillors, Assembly Ministers, Members of Parliament and European Members of Parliament The Local Authority (Rhondda Cynon Taf) responded quickly and agreed to reimburse the revenue expenditure on this project until the dispute was resolved This financial support enabled the Company to continue the revenue aspect of the project without the threat of staff redundancy However further capital spending was suspended by the Trustees, awaiting written confirmation from the WCVA to proceed, until November 2006

In negotiating the lease and planned refurbishment of the Ynyshir building, the Trustees have considered various reports including Valuation report, Carbon Trust report and Asbestos survey These reports identified the long-term health, carbon emission and financial risks for the Company in undertaking a 20 year lease on a property with an Asbestos roof with single skin cladding To mitigate these risks further funding was secured from Rhondda Cynon Taf GAP funding, Better Life Consortium fund and Strategic Recycling Fund to replace the roof and side panels on this building as part of the refurbishment

Outline planning permission and building regulation approval has been received The lease agreement is for 20 years, with the first five years rent free (to offset the refurbishment costs), the Company has the first option to purchase, at market value (before refurbishment) within the first 5 years

Changing internal operating procedures

In January 2006 the Company 'Opened to All' To ensure 'affordable furniture' remained available to low-income households, a revised pricing structure was implemented, to include a 30% discount to low-income households In total 2,118 people selecting 6,506 items in 2006 compared with 2,383 people (7,060 items) in 2005 The value of discount given to low-income households was £37,046 Customer service was updated to include 'Chip n Pin' facilities, which increased the retail training available to work-based learning

The Company developed its own website with assistance from Solutions in Technology enabling customers to 'donate on line' and access news and information on services provided

At the year end, a new ICT server, telephone system and tills were installed, to provide a 'one telephone number' service, broadband, internal telephone connection and cash registers for customer services

Maintaining and improving customer services and work based learning

Throughout the year the Customer Service manual has been developed as a training tool for work-based learning in 'Retailing'

The Company collected donated furniture from 2,749 households (2,849 in 2005) These customers donated 7767 items for reuse (7981 in 2005) Despite the investment in additional transport and increased paid employment, without additional warehousing and sorting space the Company was unable to increase or maintain the volume of goods recycled in the previous year

**Valleys Furniture Recycling Limited
(Limited by Guarantee)**

Report of the Trustees (Continued)

Year ended 31st December 2006

Collecting furniture for reuse diverted 150 tonnes from landfill

Financial Review

The Trustees via the Management team have endeavoured to safeguard the reserves of the Company by ensuring that expenditure is restricted to delivering core charitable activities and grant funded projects

Income from grants totalled £260,515 2006 is the final year of the ERDF grant "increase reuse and recycling through community action" it has enabled the Company to engage with other community groups and organisations so that community based activities can be provided in partnership In 2006 the Company participated in 35 events including information talks and fun/awareness days The £92,824 provided funding for overhead and staff costs associated with providing reuse and recycling activities within the community Whilst some of these services will continue under the Strategic Recycling Scheme, other services may be limited or withdrawn depending upon income generated in future years

The funding of £139,206 for the Strategic Recycling Scheme project has financed the capital spending on new ICT/telephone systems as well as staff & overhead costs associated with setting up the central warehouse/distribution facility This project is due to end in March 2008

'Coalfields', 'Awards for All' and 'Cleanstream' grants all refer to capital expenditure incurred in previous years but shown within the accounts to write-off against allowable depreciation

The Service level agreement with the Local Authority environmental services department has been maintained at £20,000 in recognition of the collection service for reusable materials provided by the Company

Own income generated increased from £111,754 (2005) to £122,503 in 2006 The Company 'Opened to All' in January 2006 Total sales from showroom donations increased to £148,720 but with discount allowed of £37,046 (to low income households), the net income was £111,674 (compared to £106,462 in 2005)

18 Roadshow events were arranged in 13 communities, over 800 people attended these events, raising awareness of reuse and recycling and enabling 98 people to select affordable furniture from within their community for their home This service generated an income from donations of £4,246 (2,692 in 2005)

The Company was able to assist 53 people to establish their first home by providing them with a Start Up Package of furniture and household items Funding for this service was provided by BBC Children in Need (32 packages for young people aged 16 – 18 yrs), Rhondda Housing Association (10 packages), Newydd Housing Association (3 packages) and Pontypridd & District Housing Association (1 package) Sponsorship was also received from Thompson Financial Services (1 pack) and Providence Church Ystrad (2 packs) , The remaining 4 packages were provided free of charge by the Company to relieve hardship for an individual in crisis

Expenditure increased from £297,342 (2005) to £357,735 This increase in expenditure was incurred in developing service provision through grant funded projects Expenditure on unrestricted funded projects decreased, with some staff being seconded to work on grant funded projects

Investment powers and policy

Under the Memorandum and Articles of Association, the charity has the power to invest in any way the trustees wish

The trustees, having regard to the liquidity requirements of operating and to the reserves policy, operate a policy of keeping available funds in an interest bearing deposit account and seek to achieve a rate of deposit interest which matches or exceeds inflation as measured by the retail prices index

The invested funds held on deposit achieved an average rate of 3.2 % against the retail price measure of inflation for the year to December 2006 of 2.8%

Reserves policy

The trustees have established the level of reserves (that is those funds that are freely available) that the charity ought to have Reserves are needed to bridge the funding gap between spending on developing service provision under the SRS grant and receiving the grant claim payment Reserves are also held to cover costs associated with closure (in the event of cessation of grants or decrease in evidence of need for charitable services) An annual transfer of £10,000 will be made to this fund with a maximum fund of £40,000 being retained in the future Reserves are also required to build a capital fund to enable the purchase of the Ynysir building within the next five years (£140,000 plus inflation)

**Valleys Furniture Recycling Limited
(Limited by Guarantee)**

Report of the Trustees (Continued)

Year ended 31st December 2006

The actual unrestricted reserves as at 31st December 2006 were £80,134 which is £100,000 short of the target figure of £180,000

The trustees will be developing a new fund raising strategy, concentrating on raising funds with a view to increasing our reserves to the appropriate level. Assistance in this will be sought from our accountants, Broomfield & Alexander, who have considerable knowledge and expertise in these matters

Plans for future periods

The major financial concern for the trustees and management team will be the reduction in grant funding available for community regeneration and non-essential charitable services following the end of current European funding streams and the reduction in available National Lottery Funds, following the announcement of the Olympic Games to be held in London

Despite the growing recognition for recycling and reuse initiatives, no new funding has yet to be announced for maintaining or increasing these services beyond the Strategic Recycling Scheme project period of March 2008

We intend to secure the Ynyshir facility as a Community owned resource, that can exist either as part of a group of reuse/ recycling branches providing increased warehousing and workshop facilities or, if insufficient funding is secured, as a stand-alone facility, offering a showroom with offices and warehousing. The Ynyshir facility can therefore be a development opportunity for increasing volume and range of goods reused or can replace the existing branches at both Ferndale and Aberaman (thus reducing operating costs) but maintain a well developed charitable service that is available to provide affordable items, as required, to those people most disadvantaged within the community of Rhondda Cynon Taf

The investment in new telephone / retail and ICT technologies provides the Company with an excellent opportunity to provide work based placements with up-to-date training in retail, call centre, warehouse, workshop and administration skills. Training for staff will continue in 2007 to maximise on our ability to deliver accredited work-based learning and develop new income generating streams

Trustees' responsibilities in relation to the financial statements

Company law requires the trustees to prepare financial statements that give a true and fair view of the state of affairs of the charity at the end of the financial year and of its surplus or deficit for the financial year. In doing so the trustees are required to

- Select suitable account policies and then apply them consistently
- Make sound judgements and estimates that are reasonable and prudent
- Prepare the financial statements on the 'going concern' basis unless it is appropriate to presume that the charity will continue in business

The trustees are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the charity and enables them to ensure that the financial statements comply with the Companies Act 1985. The trustees are also responsible for safeguarding the assets of the charity and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities

Statement as to disclosure of information to auditors

So far as the Directors are aware, there is no relevant audit information (as defined by Section 234Za of the Companies Act 1985) of which the company's auditors are unaware, and they have taken all the steps that they ought to have taken as Directors in order to make themselves aware of any relevant audit information and to establish that the Charity's auditors are aware of that information

In accordance with company law, as the company's directors, we certify that

- so far as we are aware, there is no relevant audit information of which the company's auditors are unaware,
- as the directors of the company we have taken all the steps that we ought to have taken in order to make ourselves aware of any relevant audit information and to establish that the charity's auditors are aware of that information

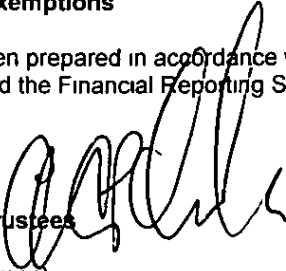
Auditors

A resolution will be proposed at the Annual General Meeting that Broomfield & Alexander to be re-appointed as auditors to the charity for the ensuing year

**Valleys Furniture Recycling Limited
(Limited by Guarantee)**

Small company exemptions

This report has been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small entities and the Financial Reporting Standards for Smaller Entities (effective January 2005)


By order of the Trustees

Tony Croke (Chairman)

10 July 2007

**Valleys Furniture Recycling Limited
(Limited by Guarantee)**

Report of the Independent Auditors to the Members

We have audited the financial statements for the year ended 31st December 2006 which comprise of the Statement of Financial Activities, the Profit and Loss Account, the Balance Sheet and the related notes. These financial statements have been prepared in accordance with the Financial Reporting Standards for Smaller Entities (effective January 2005), under the historical cost convention and the accounting policies set out therein.

This report is made solely to the Charity's Trustees, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the Charity's Trustees those matters which we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Charity's Trustees as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of Trustees and auditors

The directors, also act as trustees for the charitable activities of Valleys Furniture Recycling Limited. The Trustees' responsibilities for preparing the Trustees' Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Trustees' Responsibilities.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

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 Section 235 of the Companies Act 1985 and for no other purpose. We also report to you if, in our opinion, the Report of the Trustees is not consistent with the financial statements, if the Charity 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 trustees' remuneration and transactions with the Charity is not disclosed.

We are not required to consider whether the statement in the Trustees' Report concerning the major risks to which the Charity is exposed covers all existing risks and controls, or to form an opinion on the effectiveness of the Charity's risk management and control procedures.

We read other information contained in the Trustees' Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information, beyond that referred to in this paragraph.

Basis of audit opinion

We conducted our audit in accordance with International Standard on Auditing (UK and Ireland) 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 Trustees in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Charity'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.

Report of the Independent Auditors to the Members

Opinion

In our opinion the financial statements,

- give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of charitable company's affairs as at 31st March 2006 and of their incoming resources and application of resources for the year then ended, and
- have been properly prepared in accordance with the Companies Act 1985.

In our opinion the information given in the report of the trustees is consistent with the financial statements.


Broomfield & Alexander Limited
Chartered Accountants & Registered Auditors
Cardiff

Date 20 July 2007

Valleys Furniture Recycling Limited
(Limited by Guarantee)

**STATEMENT OF FINANCIAL ACTIVITIES FOR THE
YEAR ENDED 31 DECEMBER 2006**

	Note	Unrestricted Funds	Restricted Funds	2006 Total Funds	2005 Total Funds
		£	£	£	£
Incoming Resources					
Incoming resources from generated funds					
Voluntary Income					
Grants	2	135	260,380	260,515	149,984
Donations	3	273	-	273	774
Activities for Generating Funds:					
Ink cartridge recycling		26	-	26	90
Investment Income -					
Bank Interest		1,475	-	1,475	1,693
Incoming resources from charitable activities					
Service level agreement	4	20,000	-	20,000	20,000
Household items supplied	5	117,703	4,800	122,503	111,754
Higher value furniture		3,784	-	3,784	8,638
Other incoming resources		-	-	-	1,175
Total Incoming Resources		<u>143,396</u>	<u>265,180</u>	<u>408,576</u>	<u>294,108</u>
Resources Expended					
Charitable activities					
Service provision	6	101,104	226,113	327,217	268,710
Development of people	6	6,074	17,589	23,663	23,456
Governance costs	6	6,855	-	6,855	5,177
Total Resources Expended		<u>114,033</u>	<u>243,702</u>	<u>357,735</u>	<u>297,342</u>
Net Income Resources Before Transfers		-800	800	-	-
Gross Transfer between funds					
Net movement on funds		28,563	22,278	50,841	(3,234)
Total funds brought forward from previous year		<u>51,571</u>	<u>34,365</u>	<u>85,936</u>	<u>89,170</u>
Total funds carried forward		<u>80,134</u>	<u>56,643</u>	<u>136,777</u>	<u>85,936</u>

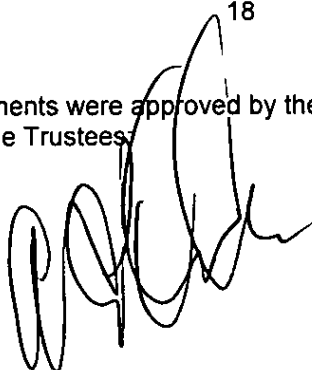
The statement of financial activities includes all gains and losses in the year
All incoming resources and resources expended derive from continuing activity

Valleys Furniture Recycling Limited
(Limited by Guarantee)

BALANCE SHEET AS AT 31 DECEMBER 2006

	Notes	2006	2005
		£	£
Fixed Assets			
Tangible Fixed Assets	10	42,585	31,050
Current Assets			
Debtors	11	74,426	35,888
Cash at Bank and in Hand		<u>60,309</u>	<u>56,394</u>
		134,735	92,282
Creditors Amounts falling due within one year	12	<u>(40,543)</u>	<u>(37,396)</u>
Net Current Assets		<u>94,192</u>	<u>54,886</u>
Total Assets Less Current Liabilities		<u>136,777</u>	<u>85,936</u>
Funds			
Restricted Funds	14	56,643	34,365
Unrestricted Funds			
Designated Funds	16	50,000	40,000
General Funds	17	<u>30,134</u>	<u>11,571</u>
Total Funds	18	<u>136,777</u>	<u>85,936</u>

These financial statements were approved by the Board of Trustees on 10 July 2007
Signed on behalf of the Trustees



**Valleys Furniture Recycling Limited
(Limited by Guarantee)**

Notes to the Financial Statements

Year ended 31st December 2006

1. Principal accounting policies

The following accounting policies have been applied consistently in dealing with items which are considered material in relation to the company's financial statements

Basis of preparation

The financial statements have been prepared in accordance with applicable accounting standards and under the historical cost convention modified to include the Management Committee's estimated valuation of the original cost of certain fixed assets donated to the company, in accordance with the Financial Reporting Standard of Smaller entities (effective January 2005), the Companies Act 1985 and follow the recommendations in 'Accounting and Reporting by Charities Statement of Recommended Practice' issued in October 2005

Cash flow statement

The company qualifies as a small company under the Companies Act 1985. The trustees have elected to take advantage of the exemption under FRS1 not to prepare a cash flow statement

Allocation of costs

Expenditure by the charity, in the year, has been split between unrestricted and restricted funds and analysed between charitable activities, governance costs and the cost of generating funds. Expenditure was allocated on the basis of staff time spent on the various activities

Charitable Activities

This includes all expenditure directly related to the aims of the charity as follows

- by helping to meet the furniture and household items needs of people on a low income, by, but not limited to, recycling household items which would otherwise be thrown away and by advancing more sustainable waste management practices
- by advancing the education and development of people, through providing opportunities to volunteer, train, develop work and social skills, gain work experience and encourage social integration

Governance Costs

These costs include the costs of governance arrangements, which relate to the general running of Valleys Furniture Recycling as opposed to the direct management functions inherent in generating funds, service delivery and programme of project work. These include such items as external audit, legal advice for trustees and costs associated with constitutional and statutory requirements

Income from furniture supplied

A minimum fixed donation is required for each item of furniture supplied and is accounted for on a receipts basis

**Valleys Furniture Recycling Limited
(Limited by Guarantee)**

Notes to the Financial Statements

Year ended 31st December 2006

Grants receivable

All revenue grants are recognised in the SOFA when the charity is legally entitled to the income

Grants for the purchase of fixed assets are recognised in full in the Statement of Financial Activities in the year in which they are receivable. The amount of the grant relating to the net book value of the asset is carried forward in restricted reserves. This grant is transferred to unrestricted reserves over the useful economic lives of the related assets.

Furniture auction income and other donations

These sources of income are accounted for on a receipts basis.

Resources expended

Expenditure is accounted for on an accruals basis and has been allocated between costs in furtherance of the charity's objects, fund raising and publicity costs, and management and administration costs. Staff costs have been apportioned between the expenditure categories in accordance with activity levels. Expenditure excludes recoverable VAT.

Fixed assets, depreciation and amortisation

Fixed assets purchased are included at cost. Assets donated to the company are included at market value. All fixed assets are held for the company's own use.

Depreciation or amortisation of fixed assets is calculated to write off their cost or valuation less any residual value over their estimated useful lives on an annual basis as follows:

Motor vehicles	-	25% per annum
Tools and equipment	-	33.3% per annum
Computer equipment	-	25- 50% per annum
Leasehold property improvements	-	over remaining period of lease

Any tools or equipment costing less than £100 are immediately written off against revenue.

Restricted and unrestricted funds

The surpluses or deficits on the statement of financial activities for the period for restricted and unrestricted funds are transferred to their respective funds. Where such funds have been set aside for specific purposes, or to meet future commitments, these are classified as designated funds. Where restricted funds received remain partly unspent, they are carried forward to the following period. Where restricted funds received have been expended on fixed assets the equivalent net book values of those assets are carried forward to the following period.

Deferred income

Grants received in advance, where the conditions for receipt have not yet been met, are deferred in the balance sheet and released to the statement of financial activities as the conditions for receipt are met.

**Valleys Furniture Recycling Limited
(Limited by Guarantee)**

Notes to the Financial Statements

Year ended 31st December 2006

Grants received for capital expenditure are recognised in the statement of financial activities when receivable. An amount equivalent to the net book value of the grant funded portion of the asset is carried forward in restricted funds.

Pensions

The company makes contributions to certain employees' personal defined contribution schemes. The assets of the schemes are held separately from those of the company in independently administered funds. Contributions are charged to the statement of financial activities as they become payable in accordance with the rules of the schemes.

Hire purchase and leasing commitments

Assets obtained under hire purchase contracts or finance leases are capitalised in the balance sheet. Those held under finance leases are depreciated over their estimated useful lives or the lease term, whichever is the shorter.

The interest element of these obligations is charged to the profit and loss account over the relevant period. The capital element of the future payments is treated as a liability.

Rentals paid under operating leases are charged to the Statement of Financial Activities as incurred.

Valleys Furniture Recycling Limited
(Limited by Guarantee)

Notes to the Financial Statements

Year ended 31st December 2006

	Unrestricted Funds £ 2006	Restricted Funds £ 2006	Total Funds £ 2006	Total Funds £ 2005
2 Grants				
Coal fields	-	5,280	5,280	3,875
Awards for all	-	3,750	3,750	1,540
ERDF	-	92,824	92,824	96,613
SRS	-	139,206	139,206	9,170
Crime Prevention	-	-	-	876
Cleanstream	-	11,095	11,095	29,096
Barclays	135	-	135	-
WDA	-	-	-	554
Go Cymru	-	-	-	1,600
BBC Children in Need	-	1,300	1,300	-
The Co-operative Group	-	-	-	960
Playscheme	-	-	-	5,700
GAP	-	6,925	6,925	-
	<u>135</u>	<u>260,380</u>	<u>260,515</u>	<u>149,984</u>
3 Donations				
Members' contributions	224	-	224	312
Other	49	-	49	462
	<u>273</u>	<u>-</u>	<u>273</u>	<u>774</u>
4 Service Level Agreement				
Rhondda Cynon Taf	20,000	-	20,000	20,000
	<u>20,000</u>	<u>-</u>	<u>20,000</u>	<u>20,000</u>
5 Household Items Supplied				
Showroom donations	111,674	-	111,674	106,462
Roadshow donations	4,246	-	4,246	2,692
BBC Children in Need	-	4,800	4,800	1,550
Pontypridd & District Housing	150	-	150	-
Rhondda Housing Association	1200	-	1,200	1,050
Newydd Housing Association	433	-	433	-
	<u>117,703</u>	<u>4,800</u>	<u>122,503</u>	<u>111,754</u>

**Valleys Furniture Recycling Limited
(Limited by Guarantee)**

Notes to the Financial Statements

Year ended 31st December 2006

6. Resources Expended

	Service provision		Development of people		Governance		2006	2005
	Un-restricted	Restricted	Un-restricted	Restricted	Un-restricted	Restricted		
	£	£	£	£	£	£	£	£
Costs directly allocated to activities								
Staff Costs	20,320	162,486	-	-	-	-	182,806	97,066
Other staff costs	3,566	256	-	-	-	-	3,822	1,193
Vehicle	6,459	10,830	-	-	-	-	17,289	13,208
Direct event cost	12,638	16,140	-	-	-	-	28,778	27,118
Advertising	4,470	5,713	-	-	-	-	10,183	4,192
Audit Fees	-	-	-	-	5,250	-	5,250	5,000
Committee	-	-	-	-	1,605	-	1,605	177
Support costs allocated to activities								
Staff costs	-	-	2,074	15,170	-	-	17,244	74,198
Premises	33,000	9,331	2,854	636	-	-	45,821	33,413
Admin	16,800	5,331	994	389	-	-	23,514	22,052
Legal	2,038	-	-	-	-	-	2,038	-
Deprecation	1,272	16,026	111	1,394	-	-	18,803	19,453
Bank Charges	541	-	41	-	-	-	582	273
	101,104	226,113	6,074	17,589	6,855	0	357,735	297,342

**Valleys Furniture Recycling Limited
(Limited by Guarantee)**

Notes to the Financial Statements

Year ended 31st December 2006

7 Staff costs

	2006	2005
	£	£
Staff salaries and social security costs	181,543	168,916
Pension scheme costs	2,328	2,348
Staff training and expenses	<u>2,173</u>	<u>1,193</u>
	<u>186,044</u>	<u>172,457</u>

No employee earned £60,000 per annum or more during the current or previous year

None of the members of the Management Committee received any remuneration or reimbursement of expenses for their involvement with the company during the year (2005 – nil)

The average number of employees, analysed by function was

	2006	2005
Charitable Activities	10	9
Governance	<u>1</u>	<u>1</u>
	<u>11</u>	<u>10</u>

8 Taxation

The charity is exempt from Corporation Tax as all its income is charitable and is applied for charitable purposes

9 Net outgoing resources for the financial year

	2006	2005
	£	£
The operating surplus (2005 deficit) for the year is stated after charging -		
Operating leases		
- Rental of properties	29,277	25,729
Depreciation of tangible fixed assets		
- Owned assets	18,802	16,173
- Assets held on hire purchase	-	3,280
Pension costs	2,973	2,348
Auditors' remuneration – audit work	3,500	3,500
– non audit work	<u>1,500</u>	<u>1,500</u>

**Valleys Furniture Recycling Limited
(Limited by Guarantee)**

Notes to the Financial Statements

Year ended 31st December 2006

10. Tangible fixed assets

	Leasehold Property Improvements £	Motor Vehicles £	Tools and Equipment £	Computer Equipment £	Total £
Cost or valuation					
At 1 st January 2006	14,544	61,110	6,364	28,977	110,995
Additions	<u>10,062</u>	<u>-</u>	<u>-</u>	<u>20,275</u>	<u>30,337</u>
At 31 st December 2006	<u>24,606</u>	<u>61,110</u>	<u>6,364</u>	<u>49,252</u>	<u>141,332</u>
Depreciation					
At 1 st January 2006	14,544	31,865	5,519	28,017	79,945
Charge for year	<u>-</u>	<u>15,278</u>	<u>422</u>	<u>3,102</u>	<u>18,802</u>
At 31 st December 2006	<u>14,544</u>	<u>47,143</u>	<u>5,941</u>	<u>31,119</u>	<u>98,747</u>
Net book amount					
At 31 st December 2006	<u>10,062</u>	<u>13,967</u>	<u>423</u>	<u>18,133</u>	<u>42,585</u>
At 31 st December 2005	<u>-</u>	<u>29,245</u>	<u>845</u>	<u>960</u>	<u>31,050</u>

The net book value of fixed assets includes £nil (2005 £4,100) of assets held under hire purchase. The depreciation charged during the year was £nil (2005 £3,280).

All of the fixed assets are used in direct furtherance of the charity's objects.

11. Debtors

	2006 £	2005 £
Trade debtors	33,537	1,100
Prepayments and accrued income	34,017	31,767
Other debtors	<u>6,872</u>	<u>3,021</u>
	<u>74,426</u>	<u>35,888</u>

12. Creditors: amounts falling due within one year

	2006 £	2005 £
Overdraft	10,194	-
Trade creditors	17,374	4,322
Hire purchase creditor	-	2,445
Accruals	11,058	7,950
Deferred income	<u>1,917</u>	<u>22,679</u>
	<u>40,543</u>	<u>37,396</u>

**Valleys Furniture Recycling Limited
(Limited by Guarantee)**

Notes to the Financial Statements

Year ended 31st December 2006

13. Secured Creditors

	2006 £	2005 £
Hire purchase creditor	=	<u>2,445</u>

Hire purchase creditors are secured on the assets to which they relate

14. Restricted funds	At 1st January 2006 £	Incoming £	Outgoing £	Transfer	At 31st December 2006 £
Coal fields	-	5,280	5,280	-	-
Awards for all	-	3,750	2,639	-	1,111
ERDF Objective 1 Priority 3	5,532	92,824	93,197	-	5,159
SRS	-	139,206	107,996	-	31,210
Cleanstream	28,833	11,095	27,690	-	12,238
Go Cymru	-	-	800	-800	-
BBC Children in Need	-	6,100	6,100	-	-
GAP	-	6,925	-	-	6,925
Total	<u>34,365</u>	<u>265,180</u>	<u>243,702</u>	<u>-800</u>	<u>56,643</u>

The restricted funds either represent the remaining value of non-depreciated capital funding received in previous years but written off over the life of the asset (Coalfields, Awards for all, Cleanstream, GAP) or is funding received in advance of expenditure which can only be spent on specified projects (ERDF, SRS)

15. Members' contributions

Contributions for membership for individuals were set at £5 for waged and £1 for unwaged. Organisations contributed £10 for membership. Each member's liability is limited to £1. At 31st December 2006, there were 50 members of the company (2005 50)

**Valleys Furniture Recycling Limited
(Limited by Guarantee)**

Notes to the Financial Statements

Year ended 31st December 2006

16. Designated funds

The income funds of the company include the following designated funds which have been set aside out of unrestricted funds by the Board of Directors for specific purposes

	Balances 1 st January 2006 £	New Designations £	Balances 31 st December 2006 £
Premises acquisition reserve	40,000	-	40,000
Project closure costs	-	10,000	10,000
	<u>40,000</u>	<u>10,000</u>	<u>50,000</u>

The Board remains committed to securing larger premises to meet the growing demands for existing services and to develop additional services for the benefit of the community and also as a way of increasing income generation

The Board recognise the need to maintain a reserve to cover the closure costs arising from the termination of significant sources of income at the end of project lives. An annual transfer of £10,000 will be made to this fund with a maximum fund of £40,000 being retained in the future

17. Movements in unrestricted funds

	Designated funds £	General Funds £	Total funds £
At 1 st January 2006	40,000	11,571	51,571
Net incoming resources for year	-	28,563	28,563
Transfer between funds	10,000	(10,000)	-
At 31 st December 2006	<u>50,000</u>	<u>30,134</u>	<u>80,134</u>

18. Analysis of net assets between funds

	Unrestricted Funds £	Restricted Funds £	Total £
Fund balances at 31 st December 2006-			
Tangible fixed assets	-	42,585	42,585
Net current assets	80,134	14,038	94,192
Total net assets/(liabilities)	<u>80,134</u>	<u>56,643</u>	<u>136,777</u>

**Valleys Furniture Recycling Limited
(Limited by Guarantee)**

Notes to the Financial Statements

Year ended 31 December 2006

19. Pensions

The company contributes to separate individual defined contribution schemes for some employees. The assets of all schemes are held separately from those of the company in independently administered funds. The pension costs charge represents contributions payable by the company to the funds and amounted to £2,328 in the year (2005 £2,348). There were no outstanding or prepaid contributions at 31st December 2006.

20. Financial commitments

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the year to 31st December 2007 -

	2006 £	2005 £
Operating leases expiring -		
Within one year	-	-
In two to five years	15,257	15,257
After five years	15,666	12,750
	<hr/> 30,923	<hr/> 28,007

21. Indemnity insurance

The Charity has purchased insurance to protect the charity from loss arising from the neglect or defaults of its trustees and employees, and to indemnify the trustees against the consequences of any neglect or default on their part. The cost of this insurance is included within the overall cost of a specialist charity policy which includes property insurance and employer's liability insurance and cannot therefore be separately identified.

22. Company Status

Valleys Furniture Recycling Limited is a company limited by guarantee. The guarantors are the trustees as set out on page 1. The liability is limited to an amount of £1 per member in accordance with the company's Memorandum of Association.

23. Related Party Transactions

No related party transactions occurred during the current or previous year which are required to be disclosed under Financial Reporting Standard for Smaller Entities (2005).