

**VALLEYS FURNITURE RECYCLING LIMITED
(LIMITED BY GUARANTEE)**

TRADING AS "TOO GOOD TO WASTE"

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED

31ST DECEMBER 2003

COMPANY NUMBER 3286173

REGISTERED CHARITY NUMBER 1064588

**O'BRIEN & PARTNERS
CHARTERED ACCOUNTANTS
Pontypridd**



**VALLEYS FURNITURE RECYCLING LIMITED
(LIMITED BY GUARANTEE)**

DIRECTORS' REPORT AND FINANCIAL STATEMENTS

For the year ended 31st December 2003

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**VALLEYS FURNITURE RECYCLING LIMITED
(LIMITED BY GUARANTEE)**

LEGAL AND ADMINISTRATIVE INFORMATION

31st December 2003

Company number 3286173

Registered charity number 1064588

Status

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

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

Mr. T. Croke, Chairman
Mr. D. Lewis
Mrs. S. Rees
Mr. D. Wu, Treasurer
Mrs. M. Riches
Mr. A. Thomas
Mr. A. O'Connell
Mr. A. Chapman
Mr. A. Thomas

Secretary

Mrs. Lynda Davies

Registered Office & main operation address

Unit 12 Highfield Industrial Estate, Ferndale, Rhondda Cynon Taff, CF43 4SX

Showroom

Canal Road, Cwmbach, Aberdare.

Reporting Accountants

O'Brien & Partners, Chartered Accountants, Highdale House, 7 Centre Court, Main Avenue, Treforest Industrial Estate, Pontypridd, Rhondda Cynon Taff. CF37 5YR

Bankers

Barclays Bank plc, P.O. Box 32, Pontypridd, Rhondda Cynon Taff. CF37 4YA

Solicitors

Devonald Griffiths Solicitors, Porth.

**VALLEYS FURNITURE RECYCLING LIMITED
(LIMITED BY GUARANTEE)
TRADING AS "TOO GOOD TO WASTE"**

REPORT OF THE BOARD OF DIRECTORS

31st December 2003

The Board of Directors presents its report and the financial statements for the year ended 31st December 2003.

We are pleased to report that during the year, the core Charity activities were maintained, and a new project started, as a result of European Funding, which recognises the unique standing of the organisation, to work with Community groups to increase reuse and recycling, through Community action.

Company members

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

There were 66 members of the company at 31st December 2003. Contributions for membership for individuals were set at £5 for waged and £1 for unwaged. Organisations contributed a minimum of £10 for membership.

Activities

The company is a charity and exists to assist with the relief of poverty:

- ◆ by helping to meet the furniture and household 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 practice.
- ◆ by advancing the development and education of people by providing opportunities to volunteer, train, develop work and social skills, work experience and encourage social integration.

Results

The net outgoing resources for the year amounted to £26,404, which reduced the accumulated unrestricted funds position to £93,122, £32,782, of which has been set aside as designated funds (see note 18).

As reported in the last financial accounts, the end of our ERDF Objective 2 grant in December 2001, significantly reduced funding of core activities, resulting in an operating deficit in 2002 of £32,268. Lack of sufficient funding continued until May 2003, when our application for ERDF Objective 1 funding was approved.

Between January – May 2003, the Directors were able to maintain the core activities of the Charity by utilising some of the undesignated reserves, to cover the operating deficit, prior to receiving additional grant funding.

Staffing costs increased over budget in 2003, as a result of long-term sickness cover for a key staff member and additional recruitment costs to cover Maternity leave.

Strategic Aims 2003 – Progress report

The board are pleased to report the following progress against its Strategic Aims, as reported in its last report.

1. SURVIVAL £70,000 funding required to cover core costs

1.1 Apply for additional funding.

The ERDF Objective 1 application was approved in May 2003. Part of this funding will ensure the ongoing provision of our Community Roadshow events, as a means of raising awareness of "reuse & recycling through community action." Further new and additional work will also be undertaken, to facilitate and engage various Community Groups to "increase reuse & recycling." This funding will provide approximately £50,000 towards core costs in 2004, thus part funding for five of our existing paid positions. Furthermore, it will create additional paid employment for the new part-time position of Volunteer/Placement co-ordinator.

**VALLEYS FURNITURE RECYCLING LIMITED
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DIRECTORS' REPORT AND FINANCIAL STATEMENTS

**31st December 2003
(continued)**

Rhondda Cynon Taf, Environmental Services agreed to continue the existing Service Level Agreement of £20,000, in recognition of the reduction in waste collection and disposal costs for the Authority.

1.2 Increase turnover and income generation

Turnover and income generation have been maintained in 2003. Additional resources will be required (e.g. additional van and/or storage space) to enable an increase in services and income generation.

1.3 Reduce loss making services

Following considerable negotiation with our Referral partners, it was agreed that a fixed donation level per referral be introduced at £150 per person assisted. This donation level more realistically reflects the cost of providing our service and enables the beneficiary to choose the items they need, as and when their need arises.

There were occasions when individuals in need requested our assistance where no funding was available to them. Whilst acknowledging that, in helping them we incurred a loss-making service, we felt it was a *fundamental requirement of the Charity to help those in need. Funding will be sought in 2004 to cover our costs in providing "emergency packages" to those in need without any financial assistance.*

We will continue to review expenditure and service provision with a view to long term sustainability.

1.4 Secure management and employment structure throughout the organisation

The process of building a Management Team, which can support a medium enterprise, (providing increased reuse and recycling, throughout Rhondda Cynon Taf) commenced, following the approval of the ERDF Objective 1 grant in May 2003. Recruitment to some of the new positions has been problematic with some key posts still to be appointed. With the restricted funding received in previous years from the NatWest Community Enterprise, the Board of Directors agreed the General Manager undertake the Diploma in Voluntary Sector Management with Vol.Prof, at CASS Business School. Internal procedures and reporting systems are under review, along with planning for additional service delivery. The process will be continued in 2004.

2. SERVICE DELIVERY

2.1 Continue Roadshows following end of Lottery grants

The ERDF Objective 1 secures Community Roadshows until 2006. In addition to providing various community groups with "furniture displays," these events will also include information and guidance on how individuals and groups, can become more involved in reuse and recycling.

2.2 Refurbish offices in Cynon showroom

Following the vandalism which occurred earlier in the year, the Cynon showroom, offices, customer entrance and loading bay areas have been completely refurbished. Numerous customers have commented on the improvements to the display and access. Additional office space has been created to relocate the Finance and General Manager. This has provided additional staff cover within this branch and improved the range of work experiences & Volunteering opportunities provided at this branch.

**VALLEYS FURNITURE RECYCLING LIMITED
(LIMITED BY GUARANTEE)**

REPORT OF THE BOARD OF DIRECTORS

**31st December 2003
(Continued)**

2.3 Provide free furniture packages to young people 18yrs and under, with continued funding from BBC Children in need.

Our grant application for continued support from BBC Children in need was approved. In October 2003, we organised a publicity event to launch the "SORTED" free furniture packages to organisations working with young people. New Publicity information has also been sent to over 300 organisations throughout Rhondda Cynon Taf, to raise awareness of this valuable free service. In 2003, we were able to help seventeen young people to set up their first home, by providing them with a furniture home start-up "SORTED" pack.

2.4 Establish new referral system for victims of drug & alcohol abuse, and pensioners to benefit 100 individuals in need.

Initial discussions have commenced with further research and networking required in 2004 before these new services can be effectively introduced.

2.5 Increase use of IT throughout the organisation.

Some new PC's have been purchased for both branches and a Network system installed into the refurbished offices at Cynon, enabling increased use of IT. BT have failed to connect Broadband into the Cynon area, therefore restricting the planned development of improved links between the both branches. Further improvements are required to uniform software and replace redundant hardware in 2004.

2.6 Marketing of new and existing services.

Information folders and posters have been designed and produced. The new "SORTED" package was launched in October 2003 to other organisations and agencies working with young people throughout Rhondda Cynon Taf.

A number of information talks and presentations have been provided to schools, Housing Associations, Local Authority Departments and Community Groups. We have made links with Community first areas and published our information in a number of their newsletters.

The Charity was recognised as "Employer of the month" by GTFM in September and has participated in a number of radio interviews (Radio Wales, Radio Cymru, Red Dragon and GTFM) We have been invited to discuss a number of topics including : publicising new services; Roadshow events; Increased recycling and community development.

We have supported the Fairbridge project (which targets young people and helps them prepare for their future life), with information and educational visits. We have also provided furniture for an Open show-house, in partner with Cynon Taf Housing Association, as a means of increasing demand for "hard-to-let" properties.

Our services have been acknowledged within various Newsletters and articles, including: Cylch magazine; RCT Rapidly Changing Times; Cynon Taf Housing Association.

We have also supported a number of Community events throughout the Borough, including: Arts Factory, Rhondda H.A, and Pontygwaith fun days, Clydach and Pontypridd Carnivals and various Annual General Meetings.

We produced three newsletters in 2003, which were circulated to over 500 organisations throughout Rhondda Cynon Taf, as a means of raising awareness of our services and progress.

**VALLEYS FURNITURE RECYCLING LIMITED
(LIMITED BY GUARANTEE)**

REPORT OF THE BOARD OF DIRECTORS

**31st December 2003
(Continued)**

With the support of various Community Groups throughout Rhondda Cynon Taf, we provided twenty Roadshows during the year. On average 2000 leaflets were distributed prior to each event. These leaflets not only advise the community of our event but also inform the community of the services offered by their local Community Group.

The Community fund continued to use our information as an example of a "worthwhile project." Our services also received recognition within the Rhondda Cynon Taf Waste Strategy document and as part of the Sustainability conference.

2.7 Identify site for the creation of purpose-built community recycling resource within Rhondda Cynon Taf as part of Objective 1, Priority 6 grant.

The Local Authority, as part of their Objective 1 Priority 6 grant have identified a potential site for their waste management services. However, the location of this site is not considered accessible for beneficiaries of the Charity nor our Volunteers. We therefore continue to seek a suitable site for "Community reuse & Recycling" which will compliment the RCT Waste Strategy and remain accessible to people in need.

2.8 Support the development of inter-agency partnership as part of Objective 1 Priority 3 application with the objective of increased reuse and recycling through community action.

We are collating a database of community organisations who are interested in "increasing reuse and recycling through community action." The first inter-agency partnership meeting will be held early in 2004, with a view to shared funding applications to increase community resources and facilities for reuse and recycling.

2.9 Secure additional premises to increase service delivery.

Additional premises are a priority for this organisation in 2004, to enable an increase in service delivery. These additional premises will also support the needs of other partners who have been identified as part of our inter-agency partnership working.

2.10 Increase volunteer and work experience placements throughout the organisation.

This organisation continue to benefit from the valuable support of volunteers. This year 44 volunteers have provided over 12,000 hours in support of the aims and objectives of this Charity, with an estimated value of £71,000.

During most of this year, as a result of staff vacancies and sickness, the paid workforce was reduced by 40%. During the summer months only five paid staff were available to operate our collection & delivery service, two showrooms and telephone/administration services. Without our team of Volunteers, one of the Showrooms would have to have been closed and a van taken out of service for part of the week.

Volunteers continue to be at the core of our service delivery and essential to our ongoing provision of Charitable services.

The development of our Marketing & publicity services have increased the number of volunteer and work experience placements involved in this type of activity. We have accessed training for Volunteers and paid staff via the Innovation Management Project and financed the training for First Aid Certificate. We arranged an information and work experience visit with T.Mobile in Merthyr along with visits to other recycling organisations (Track 2000 and Caerphilly Community Recycling).

**VALLEYS FURNITURE RECYCLING LIMITED
(LIMITED BY GUARANTEE)**

REPORT OF THE BOARD OF DIRECTORS

**31st December 2003
(continued)**

Investment policy

As a result of the continued uncertainty in the equities market, the directors have taken a prudent view to invest in short- to medium-term, low-risk investments to maximise returns. These investments will be reviewed by the Board quarterly.

Financial Reserves Policy

At 31st December 2003, the company held restricted reserves of £2,620. In addition, the company held unrestricted non-designated reserves of £60,340 and unrestricted designated reserves of £32,782.

Despite all efforts, the ERDF Objective 1 grant, which was planned to start in January 2003 (and thus providing additional funding to cover core costs), was delayed until May 2003. This led to insufficient funding for the period January – April 2003. During the year, additional costs were incurred as a result of long term sickness cover and additional recruitment costs (to cover maternity leave). These two factors combined, have resulted in an operating deficit of £26,404 for 2003. The unrestricted funds held at December 2002 of £108,875 have therefore been reduced to £93,122.

The Board of Directors has set an unrestricted reserves target of £146,911, which is the level of reserves required to maintain the company for a period of approximately six months, in the event of projected generated funds being adversely affected by any disruption to services.

Risk Review

The Directors acknowledge that despite the successful ERDF Objective 1 application, the Charity remains exposed to significant financial risk if additional funding is not secured to cover core operating costs and to provide additional resources (vehicles, ICT and premises), to meet growing demand.

The board will review existing financial reporting procedures to ensure effective monitoring of expenditure against agreed budgets. Furthermore, consideration will be given to restricting the development of this organisation, (if alternative funding can not be secured), to ensure ongoing sustainability of core services.

The designated unrestricted reserves fund of £20,000 will be maintained as match funding for the proposed relocation.

**VALLEYS FURNITURE RECYCLING LIMITED
(LIMITED BY GUARANTEE)**

REPORT OF THE BOARD OF DIRECTORS

**31st December 2003
(continued)**

STRATEGIC AIMS 2004 – 05

- 1. Increase the amount and range of materials reused and recycled within Rhondda Cynon Taf.**
 - Secure additional premises to provide the infrastructure to increase the volume and range of materials reused and recycled.
 - Establish a Domestic Electrical Appliance reuse service (subject to acquisition of additional premises).
 - Continue to build partnerships which increase both supply and demand for reusable household items.
 - Develop additional services which meet specific sectors of need. (e.g. "victims of drug & alcohol abuse" and "support for over 60's").
 - Secure funding to provide "free furniture packages" in times of crisis of hardship.
 - Secure additional resources (Vehicles, ICT and personnel).

- 2. Increase the numbers of Community organisations and individuals benefiting from this organisations service.**
 - Continue providing community based furniture displays "Roadshows".
 - Develop partnerships with organisations based outside this area, to increase range of reuse & recycling services currently available within Rhondda Cynon Taf.
 - Develop partnerships to increasing the range of materials currently recycled, for example: Office equipment, ink cartridges and wood products.

- 3. Continue to develop Sustainable Services**
 - Seek additional funding to maintain existing services and develop new services.
 - Increase the quality of and opportunities for people to Volunteer, train and gain work experience, throughout the organisation.
 - Secure additional funding to increase training opportunities.
 - In partnership with other training providers increase work based learning opportunities.
 - Continue to develop "key-contact" links between agencies.
 - Continue to improve financial controls and internal procedures to minimise cost.

**VALLEYS FURNITURE RECYCLING LIMITED
(LIMITED BY GUARANTEE)**

REPORT OF THE BOARD OF DIRECTORS

**31st December 2003
(continued)**

Directors

Those directors who held office during the year were:-

Tony Croke	(Chairman) (retired & re-appointed at AGM April 2003)
David Lewis	(Vice Chair)
Sheila Rees	
David Wu	(retired & re-appointed at AGM April 2003)
Margot Riches	
Adrian Thomas	
Anthony O'Connell	
Andrew Chapman	(appointed April 2003)
Alan Thomas	(appointed April 2003)

In accordance with the Articles of Association, Margot Riches and Adrian Thomas of the elected members of the Board of Directors who are subject to retirement by rotation shall retire, but shall be eligible to be re-appointed or re-elected.

All directors are required to be members of the company. The liability of each member is limited to £1.

All directors were recorded as members of the company in the register of directors' interests.

No members of the Board of Directors were in receipt of remuneration during the period covered by these financial statements.

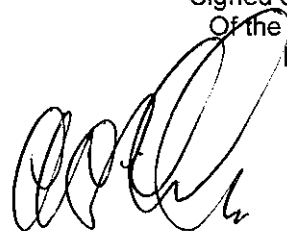
Tax status

As the company is a registered charity, no provision has been made for taxation.

Small company exemptions

This report is prepared in accordance with the special provisions of Part VII of the Companies Act relating to small companies.

Signed on behalf
Of the Board of
Directors



.....
Tony Croke
Chairman

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

15TH JUNE

.....2004

**VALLEYS FURNITURE RECYCLING LIMITED
(LIMITED BY GUARANTEE)**

**Accountants' report to the members on the
unaudited financial statements of Valleys Furniture Recycling Limited**

We report on the financial statements for the year ended 31st December 2003 set out on pages 9 to 21.

Respective responsibilities of members of the directors and reporting accountants

As described on page 12 the company's directors are responsible for the preparation of the financial statements, and they consider that the company is exempt from an audit. It is our responsibility to carry out procedures designed to enable us to report our opinion.

Basis of opinion

Our work was conducted in accordance with the Statement of Standards for Reporting Accountants, and so our procedures consisted of comparing the financial statements with the accounting records kept by the company, and making such limited enquiries of the officers of the company as we considered necessary for the purpose of this report. These procedures provide only the assurance expressed in our opinion.

Opinion

In our opinion:

- (a) the accounts are in agreement with the accounting records kept by the company under section 221 of the Companies Act 1985;
- (b) having regard only to, and on the basis of, the information contained in those accounting records:
 - (i) the accounts have been drawn up in a manner consistent with the accounting requirements specified in section 249C(6) of the Act; and
 - (ii) the company satisfied the conditions for exemption from an audit of the financial statements for the year specified in section 249A(4) of the Act, as modified by section 249A(5), and did not, at any time within that year, fall within any of the categories of companies not entitled to the exemption specified in section 249B(1).

O'Brien & Partners

**O'Brien & Partners
Reporting Accountants**

Pontypridd

15th July 2004

VALLEYS FURNITURE RECYCLING LIMITED
(LIMITED BY GUARANTEE)

STATEMENT OF FINANCIAL ACTIVITIES
(Including Income and Expenditure Account)

For the year ended 31st December 2003

		2003			2002		
	Note	Unrestricted Funds £	Restricted Funds £	Total Funds £	Unrestricted Funds £	Restricted Funds £	Total Funds £
Incoming resources							
Donations receivable	2	504		504	369	-	369
<u>Activities to further the charity's objects:</u>							
Furniture supplied	3	113,717		113,717	105,391	-	105,391
Grants receivable	4	20,526	74,873	95,399	17,462	68,120	85,582
Furniture auction		5,904	-	5,904	3,020	-	3,020
<u>Activities for generating funds:</u>							
Volunteer events		-	-	-	1,852	-	1,852
Investment income and interest receivable		1,992	-	1,992	3,310	-	3,310
Other incoming resources:							
Intangible income	5	8,932	-	8,932	2,246	-	2,246
Profit on disposal of fixed assets		-	-	-	1,298	-	1,298
Total incoming resources		<u>151,575</u>	<u>74,873</u>	<u>226,448</u>	<u>134,948</u>	<u>68,120</u>	<u>203,068</u>
Resources expended							
<u>Costs of generating funds</u>							
Fundraising and publicity	6	14,274	13,622	27,896	14,515	24,211	38,726
<u>Charitable expenditure</u>							
Costs in furtherance of charity's objects	7	90,980	55,461	146,441	76,088	57,273	133,361
Management and administration of the charity	8	<u>62,074</u>	<u>16,441</u>	<u>78,515</u>	<u>54,733</u>	<u>8,516</u>	<u>63,249</u>
Total resources expended	9	<u>167,328</u>	<u>85,524</u>	<u>252,852</u>	<u>145,336</u>	<u>90,000</u>	<u>235,336</u>
Net income/(expenditure)		(15,753)	(10,651)	(26,404)	(10,388)	(21,880)	(32,268)
Fund transfers		-	-	-	(14,611)	14,611	-
Total funds at 1 st January 2003		<u>108,875</u>	<u>13,271</u>	<u>122,146</u>	<u>133,874</u>	<u>20,540</u>	<u>154,414</u>
Total funds at 31st December 2003		<u>93,122</u>	<u>2,620</u>	<u>95,742</u>	<u>108,875</u>	<u>13,271</u>	<u>122,146</u>

None of the company's activities were acquired or discontinued during the above two financial years.

Movements in funds are shown in notes 15 and 18.

VALLEYS FURNITURE RECYCLING LIMITED
(LIMITED BY GUARANTEE)

BALANCE SHEET

at 31st December 2003

		2003		2002	
	Note	£	£	£	£
Fixed assets					
Tangible fixed assets	12		12,780		16,137
Current assets					
Debtors	13	12,036		36,554	
Cash at bank and in hand		<u>97,583</u>		<u>79,662</u>	
		109,619		116,216	
Creditors : amounts falling due within one year	14	<u>(26,657)</u>		<u>(10,207)</u>	
Net current assets			<u>82,962</u>		<u>106,009</u>
			95,742		122,146
Creditors : amounts falling due after more than one year			<u>-</u>		<u>-</u>
Net assets			<u>95,742</u>		<u>122,146</u>
Funds					
Restricted	15		2,620		13,271
Unrestricted					
Designated	17	32,782		36,137	
Non-designated	18	<u>60,340</u>		<u>72,738</u>	
			<u>93,122</u>		<u>108,875</u>
Total funds			<u>95,742</u>		<u>122,146</u>

Continued....

**VALLEYS FURNITURE RECYCLING LIMITED
(LIMITED BY GUARANTEE)**

BALANCE SHEET

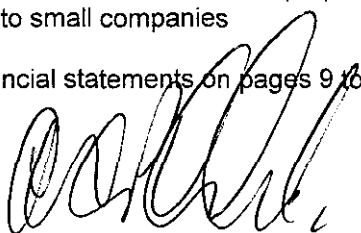
at 31st December 2003 (continued)

The directors consider that for the year ended 31st December 2003 the company was entitled to exemption from audit under subsection 2 of section 249A of the Companies Act 1985. No member or members have deposited a notice requesting an audit for the current financial period under subsection 2 of section 249B of the Act.

The directors acknowledge their responsibilities for ensuring that the company keeps accounting records which comply with section 221 of the Companies Act 1985 and preparing financial statements which give a true and fair view of the state of affairs of the company as at the end of the financial period and of its surplus or deficit for the financial period in accordance with the requirements of section 226, and which otherwise comply with the requirements of the Act relating to financial statements, so far as applicable to the company.

These financial statements are prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies

The financial statements on pages 9 to 21 were approved by the Board of Directors on 15TH June 2004.



Tony Croke
Chairman

**VALLEYS FURNITURE RECYCLING LIMITED
(LIMITED BY GUARANTEE)**

NOTES ON FINANCIAL STATEMENTS

31st December 2003

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 for Smaller Entities (effective June 2002), the Companies Act 1985 and follow the recommendations in 'Accounting and Reporting by Charities: Statement of Recommended Practice' issued in October 2000.

Income from furniture supplied

A minimum fixed donation is required for each item of furniture supplied and is accounted for on an accruals basis.

Grants receivable

Both restricted and unrestricted revenue grants are accounted for on an accruals basis, with the exception of *restricted community fund grants which are accounted for on a cash received basis*. This latter policy is in accordance with the requirements of the Community Fund.

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 income 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 an accruals basis.

Intangible income

Intangible income represents the valuation of donations in kind received from suppliers in respect of services, goods or assets, in support of the company's activities and the value of volunteer time in as much as it relates to ERDF Objective 1 funding.

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.

**VALLEYS FURNITURE RECYCLING LIMITED
(LIMITED BY GUARANTEE)**

NOTES ON FINANCIAL STATEMENTS

31st December 2003 (continued)

1. Principal accounting policies (continued)

Fixed assets, depreciation and amortisation

Fixed assets purchased are included at cost. Assets donated to the company are included at a value equal to the donor's original cost. 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

Non-capital grants and donations are taken to the statement of financial activities when the related expenditure has been incurred.

Grants received for capital expenditure are deferred in the balance sheet by way of restricted reserves and released to the statement of financial activities over the useful lives of the assets.

The Community Fund stipulates that grants provided by it must be accounted for on a cash received basis and so grants received from the Community Fund for capital expenditure are carried forward in restricted reserves to the extent of the net book value of the related assets.

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.

Leasing commitments

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

VALLEYS FURNITURE RECYCLING LIMITED
(LIMITED BY GUARANTEE)

NOTES ON FINANCIAL STATEMENTS

31st December 2003 (continued)

2. Donations receivable

	2003			2002		
	Unrestricted Funds	Restricted Funds	Total Funds	Unrestricted Funds	Restricted Funds	Total Funds
	£	£	£	£	£	£
Members' contributions	263	-	263	204	-	204
Other	<u>241</u>	<u>-</u>	<u>241</u>	<u>165</u>	<u>-</u>	<u>165</u>
	<u>504</u>	<u>-</u>	<u>504</u>	<u>369</u>	<u>-</u>	<u>369</u>

3. Furniture Supplied

Showroom donations	99,016	-	99,016	94,722	-	94,722
Roadshow donations	8,121	-	8,121	6,320	-	6,320
BBC Children in Need	3,890	-	3,890	1,829	-	1,829
Rhondda Housing Association	1820	-	1820	2,205	-	2,205
Newydd Housing Association	<u>870</u>	<u>-</u>	<u>870</u>	<u>315</u>	<u>-</u>	<u>315</u>
	<u>113,717</u>	<u>-</u>	<u>113,717</u>	<u>105,391</u>	<u>-</u>	<u>105,391</u>

4. Grants receivable

Nationwide Foundation	-	-	-	-	3,600	3,600
Cymru Prosper Grant	-	-	-	-	1,120	1,120
Community & Voluntary Action Fund	-	-	-	-	15,334	15,334
Community Fund (Lottery)	-	19,202	19,202	-	29,978	29,978
ERDF Objective 1	-	-	-	-	-	-
Priority 3 funding	-	55,671	55,671	-	-	-
Community Enterprise Fund	436	-	436	437	-	437
New Deal	90	-	90	2,025	-	2,025
ERDF Objective 2	-	-	-	-	(94)	(94)
The Henry Smith Charity	-	-	-	-	3,667	3,667
Environment Wales	-	-	-	-	900	900
ELWa	-	-	-	-	569	569
RCT/ERDF Objective 1	-	-	-	-	-	-
Marketing Grant	-	-	-	-	13,046	13,046
RCT: Service Agreement	-	-	-	-	-	-
Environmental Services	<u>20,000</u>	<u>-</u>	<u>20,000</u>	<u>15,000</u>	<u>-</u>	<u>15,000</u>
	<u>20,526</u>	<u>74,873</u>	<u>95,399</u>	<u>17,462</u>	<u>68,120</u>	<u>85,582</u>

5. Intangible income

Euro Commercials(South Wales)	417	-	417	625	-	625
O'Brien & Partners	2,205	-	2,205	1,621	-	1,621
Volunteer Hours	<u>6,310</u>	<u>-</u>	<u>6,310</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>8,932</u>	<u>-</u>	<u>8,932</u>	<u>2,246</u>	<u>-</u>	<u>2,246</u>

VALLEYS FURNITURE RECYCLING LIMITED
(LIMITED BY GUARANTEE)

NOTES ON FINANCIAL STATEMENTS

31st December 2003 (continued)

		2003			2002				
		Unrestricted Funds £	Restricted Funds £	Total Funds £	Unrestricted Funds £	Restricted Funds £	Total Funds £		
6.	Fundraising and publicity								
	Advertising	3,294	4,674	7,968	-	23,271	23,271		
	Publicity	<u>10,980</u>	<u>8,948</u>	<u>19,928</u>	<u>14,515</u>	<u>940</u>	<u>15,455</u>		
		<u>14,274</u>	<u>13,622</u>	<u>27,896</u>	<u>14,515</u>	<u>24,211</u>	<u>38,726</u>		
7.	Costs in furtherance of the charity's objects								
	Staff costs	50,968	29,225	80,193	44,150	39,095	83,245		
	Hand tools	735	7	742	645	-	645		
	Volunteers' costs	6,304	12,370	18,674	9,276	1,666	10,942		
	Vehicle costs	8,842	7,088	15,930	7,191	4,306	11,497		
	Head office costs	<u>24,131</u>	<u>6,771</u>	<u>30,902</u>	<u>14,826</u>	<u>12,206</u>	<u>27,032</u>		
		<u>90,980</u>	<u>55,461</u>	<u>146,441</u>	<u>76,088</u>	<u>57,273</u>	<u>133,361</u>		
8.	Management and administration of the charity								
	Volunteers	5,245	-	5,245	2,060	577	2,637		
	Committee costs	366	-	366	207	-	207		
	Salaries and office costs	39,030	13,372	52,402	40,328	3,607	43,935		
	Accountancy and professional fees	4,800	-	4,800	3,000	-	3,000		
	Fixed overheads costs	<u>12,633</u>	<u>3,069</u>	<u>15,702</u>	<u>9,138</u>	<u>4,332</u>	<u>13,470</u>		
		<u>62,074</u>	<u>16,441</u>	<u>78,515</u>	<u>54,733</u>	<u>8,516</u>	<u>63,249</u>		
9.	Total resources expended								
		2003			2002				
	Staff Costs	Deprec'n	Other Costs	Total	Staff Costs	Deprec'n	Other Costs	Total	
	£	£	£	£	£	£	£	£	
	Costs in furtherance of charity's objects	80,193	3,687	62,561	146,441	83,245	3,475	46,641	133,361
	Fundraising and publicity	19,928	-	7,968	27,896	15,455	-	23,271	38,726
	Management and administration of the charity	<u>52,402</u>	<u>4,365</u>	<u>21,748</u>	<u>78,515</u>	<u>43,935</u>	<u>4,204</u>	<u>15,110</u>	<u>63,249</u>
		<u>152,523</u>	<u>8,052</u>	<u>92,277</u>	<u>252,852</u>	<u>142,635</u>	<u>7,679</u>	<u>85,022</u>	<u>235,336</u>

VALLEYS FURNITURE RECYCLING LIMITED
(LIMITED BY GUARANTEE)

NOTES ON FINANCIAL STATEMENTS

31st December 2003 (continued)

9. Total resources expended (continued)

	2003	2002
	£	£
Staff costs		
Staff salaries and social security costs	145,835	135,047
Pension scheme costs	2,774	2,830
Staff training and expenses	<u>3,914</u>	<u>4,758</u>
	<u>152,523</u>	<u>142,635</u>
Other costs		
Vehicle expenses	12,680	8,459
Premises	25,599	24,329
Miscellaneous	<u>53,998</u>	<u>52,234</u>
	<u>92,277</u>	<u>85,022</u>

No employee earned £50,000 per annum or more during the year (2002 – no employee earned over £50,000).

None of the trustees or members of the Management Committee received any remuneration or reimbursement of expenses for their involvement with the company during the year (2002 – none).

The average number of employees, analysed by function was:

	2003	2002
<i>Direct activities</i>	6	6
<i>Management and administration of the company</i>	<u>3</u>	<u>3</u>
	<u>9</u>	<u>9</u>

10. Taxation

As a registered charity, the company is exempt from corporation tax.

11. (Deficit)/surplus for the financial year

	2003	2002
	£	£
(Deficit)/surplus for the year is stated after charging:-		
Operating leases		
Motor vehicles	3,397	-
Rental of properties	21,250	21,250
Depreciation and amortisation of tangible fixed assets (owned)	<u>8,052</u>	<u>7,679</u>

12. Tangible fixed assets (for charitable purposes)

	Leasehold Property Improvements	Motor Vehicles	Tools and Equipment	Computer Equipment	Total
	£	£	£	£	£
Cost or valuation					
1st January 2003	14,544	31,486	5,097	22,160	73,287
Additions				4,695	4,695
Disposals	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
31st December 2003	14,544	31,486	5,097	26,855	77,982

VALLEYS FURNITURE RECYCLING LIMITED
(LIMITED BY GUARANTEE)

NOTES ON FINANCIAL STATEMENTS

31st December 2003 (continued)

12. Tangible fixed assets (for charitable purposes) - continued

	Leasehold Property Improvements £	Motor Vehicles £	Tools and Equipment £	Computer Equipment £	Total £
Depreciation and amortisation					
1st January 2003	14,544	21,059	4,661	16,886	57,150
Charge for year	-	3,250	436	4,366	8,052
Disposals	-	-	-	-	-
31st December 2003	14,544	24,309	5,097	21,252	65,202
Net book amount					
31st December 2003	<u>-</u>	<u>7,177</u>	<u>-</u>	<u>5,603</u>	<u>12,780</u>
31st December 2002	<u>-</u>	<u>10,427</u>	<u>436</u>	<u>5,274</u>	<u>16,137</u>

13. Debtors

	2003 £	2002 £
Amounts falling due within one year		
Customer debts	1,135	415
Prepayments	8,185	5,668
Other debtors	2,716	3,226
Accrued income	<u>-</u>	<u>27,245</u>
	<u>12,036</u>	<u>36,554</u>

14. Creditors : amounts falling due within one year

	2003 £	2002 £
Trade creditors	5,403	978
Accruals	5,044	4,137
Deferred income	10,784	1,711
Sundry creditors	<u>5,426</u>	<u>3,381</u>
	<u>26,657</u>	<u>10,207</u>

VALLEYS FURNITURE RECYCLING LIMITED
(LIMITED BY GUARANTEE)

NOTES ON FINANCIAL STATEMENTS

31st December 2003 (continued)

15. Restricted funds

	At 1 st January 2003 £	Incoming £	Outgoing £	Transfer unrestricted funds £	At 31st December 2003 £
RCT/ERDF Objective 1					
Priority 3	-	55,671	(53,051)	-	2,620
Nationwide Foundation	2,400		(2,400)	-	-
NatWest Community Enterprise	1,938		(1,938)	-	-
Community Fund (NLCB)	8,933	19,202	(28,135)	-	-
Other restricted funds	-	-	-	-	-
Total	<u>13,271</u>	<u>74,873</u>	<u>(85,524)</u>	<u>-</u>	<u>2,620</u>

The RCT/ERDF Objective 1 restricted fund balance of £2,620 at 31st December 2003 represents the net book value of fixed assets purchased with part of the grant.

The Nat West Community Enterprise grant covered the costs of training for the General Manager to attend CASS Business School, VOLPROF Diploma in Voluntary Sector Management Studies.

16. 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 2003, there were 66 members of the company.

VALLEYS FURNITURE RECYCLING LIMITED
(LIMITED BY GUARANTEE)

NOTES ON FINANCIAL STATEMENTS

31st December 2003 (continued)

17. 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 1st January 2003 £	Movements in unrestricted Funds £	Movements in restricted Funds £	New designations £	Balances 31st December 2003 £
Relocation costs	20,000	-	-	-	20,000
Replacement of tangible fixed assets	<u>16,137</u>	<u>(8,050)</u>	<u>(-)</u>	<u>4,695</u>	<u>12,782</u>
	<u>36,137</u>	<u>(8,050)</u>	<u>(-)</u>	<u>4,695</u>	<u>32,782</u>

The Board remains committed to relocating the main operations of the company to 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 has set aside a sum for the replacement of its tangible fixed assets, equal to their net book value at the year end.

18. Movements in unrestricted funds

	Designated funds £	Other funds £	Total funds £
At 1 st January 2003	36,137	72,738	108,875
Net (outgoing)/incoming resources for year	(3,355)	(12,398)	(15,753)
Transfer to restricted funds (note 15)	<u>(-)</u>	<u>(-)</u>	<u>(-)</u>
At 31st December 2003	<u>32,782</u>	<u>60,340</u>	<u>93,122</u>

19. Analysis of net assets between funds

	Tangible Fixed assets £	Net Current Assets £	Total £
Restricted funds	2,620	-	2,620
General funds	<u>10,160</u>	<u>82,962</u>	<u>93,122</u>
	<u>12,780</u>	<u>82,962</u>	<u>95,742</u>

20. 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 £2,774 in the year (2002 - £2,830). There were no accrued contributions payable to the funds at 31st December 2003.

**VALLEYS FURNITURE RECYCLING LIMITED
(LIMITED BY GUARANTEE)**

NOTES ON FINANCIAL STATEMENTS

31st December 2003 (continued)

21. Financial commitments

Financial commitments under non-cancellable operating leases will result in the following payments falling due in the year to 31st December 2004:-

	2003	2002
	£	£
Operating leases expiring:-		
In two to five years	12,691	8,500
After five years	<u>12,750</u>	<u>12,500</u>
	<u>25,441</u>	<u>21,000</u>

22. Statement of financial activities

The statement of financial activities is presented in a format different from that prescribed in the fourth schedule of the Companies Act 1985 in order to ensure that a true and fair view of the results for the year is given.

23. Indemnity insurance

The charity has purchased insurance for the trustees of the charity against liability arising from wrongful acts in relation to the charity. The cost of this insurance for the year amounts to £382.

**24. Departure from Companies Act requirements
True and fair override**

Financial Reporting Standard No.5 Reporting the Substance of Transactions requires that assets purchased under a hire purchase agreement be capitalised and be written off in the income and expenditure account over their useful economic life. During the year the charity obtained a vehicle under a hire purchase agreement. In order to comply with European funding requirements payments have been treated as revenue expenditure as would be shown under an operating lease, with lease payments taken in full to the income and expenditure account in the period payments are made. The quantifiable effect of the departure is that the resources expended during the year are understated by £185.

25. Volunteer Hours

Statement of Recommended Practice "Accounting and Reporting by Charities" states that intangible income should not be included in the Statement of Financial Activities where no financial cost is borne by another party for the provision of the assistance. During the period the charity received grant payments against volunteer hours worked. In order to correctly reflect this receipt in the financial statements the value of the volunteer hours donated in respect of the grant receipts have been recognised as intangible income, and the expenditure as volunteer costs. Net effect on the financial statements as a result of this treatment is nil.