

Groundwork South Tees
(A Company Limited by Guarantee)

Financial Statements
for the year ended 31 March 2006

“Registrar of Companies Copy”
Company No. 4150037



ANDERSON BARROWCLIFF
Chartered Accountants

GROUNDWORK SOUTH TEES

FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

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GROUNDWORK SOUTH TEES

MEMBERS OF THE BOARD AND PROFESSIONAL ADVISERS

Directors

June Goodchild
Michael Joseph Clarke
Allan Geoffrey Barber
Alan Sims
Professor Graham Street
Kevin Francis Whitty (resigned 12 August 2005)
Clive Malcolm Spencer
Dr Mark Fishpool
Councillor Walter Ferrier
Councillor Robert Kerr
Councillor Ann Higgins
Councillor Valerie Halton
Robert Iain Sim
Edward Moss
Marilyn Ethnie Wood
Jeremy Alexander Garside (appointed 08 April 2005)
Mavis Pickering
Philip Trevor Hawkins (appointed 10 June 2005)
Kevin McAuley (appointed 21 October 2005)

Company secretary

A J Wentworth

Registered office

Linthorpe Cemetery Lodge
Burlam Road
Middlesbrough
TS5 5AP

Company registration number 4150037
Registered charity number 1087917

Auditors

Anderson Barrowcliff
Waterloo House
Teesdale South
Thornaby on Tees
TS17 6SA

Bankers

The Royal Bank of Scotland plc
22 Albert Road
Middlesbrough
TS1 1PR

Solicitors

Jacksons Solicitors
Innovation House
Yarm Road
Stockton-on-Tees
TS18 3TN

GROUNDWORK SOUTH TEES

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2006

The directors present their report and the financial statements of Groundwork South Tees for the year ended 31 March 2006.

STRUCTURE, GOVERNANCE AND MANAGEMENT

The company is a registered charity and a company limited by guarantee and is governed by its Memorandum and Articles of Association. The company has no share capital and the guarantee of each member is limited to £1. The members are:

The Federation of Groundwork Trusts
Middlesbrough Council
British Land
Industry and Nature Conservation Association
Middlesbrough Environment City
Tees Valley Wildlife Trust
Redcar and Cleveland Borough Council
Coast and Country Housing.

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

The Board comprises between six and nineteen directors. The Members of the company may nominate up to eleven directors to serve for a period of up to three years. The nominated directors and the Members nominating them may co-opt up to eight directors for a period of up to two years. The directors meet 6 times a year, including meetings at which the annual budget and five-year business plan are considered and approved.

There are two sub-groups, Finance and Personnel, with their own terms of reference and their reports are standing agenda items for the full Board meetings. The Chair of the Board and members of the sub-groups are appointed by the directors from among their number. The Board also appoints a director to work alongside the company's Health & Safety officer.

On appointment each director signs a declaration of suitability and completes a register of interests. They are given an information pack which includes the Memorandum and Articles of Association, the Board terms of reference and director's job description, the finance regulations and organisation charts of the staff and sub-group structure. It contains copies of the Partnership and Sponsors' Agreements between the company, Groundwork UK, and Middlesbrough and Redcar & Cleveland Borough Councils. Governance seminars are held every two years and all directors are requested to attend.

The directors have delegated management of the company to the Executive Director, Mr Chris Watson, who reports on performance against the business plan. The Finance Sub-group and the Board receive quarterly management accounts and the Treasurer, who is Chair of the Sub-group, reports to the Board on the financial position, reserves policy and finance regulations. The Personnel Sub-group, advised by the Executive Director, is responsible for recruitment within the organisation structure approved by the Board and has responsibility for personnel policies and procedures.

Each local authority area has a dedicated development manager supported by project, education and youth officers. The Landscape Design team provides services to both areas. During the year we opened a new office in Saltburn to support our activities in the Redcar & Cleveland Borough Council area.

The company is part of the Federation of Groundwork Trusts in England, Wales and Northern Ireland (Groundwork UK) which provides strategic direction and support to Trusts from its national and regional offices. The company works closely with its member and other organisations in the public, private and voluntary sectors to deliver its charitable objectives.

GROUNDWORK SOUTH TEES

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2006

Risk review

The company has a risk management strategy which comprises:

- An annual review by the directors of the risks the company might face;
- The establishment and maintenance of systems and procedures to mitigate those risks which the directors identify as significant;
- The implementation of procedures designed to minimise the impact on the company should those risks materialise.

The most significant risk to the company is considered to be dependency on a limited number of sources of income, with associated factors including competition for funds and our relationships with funders. A strategic review of the funding base was carried out during the year and is described on page 4 of this report.

The small size of the organisation means the loss of a key member of staff can cause significant disruption to our ability to delivery projects. In order to improve the company's ability to recruit and retain staff, a review of personnel policies and staff terms and conditions of employment has been undertaken by the Personnel Sub-group and the resulting amendments considered and approved by the Board.

DIRECTORS' RESPONSIBILITIES

Company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company at the end of the year and of the surplus or deficiency for the year then ended.

In preparing those financial statements, the directors are required to select suitable accounting policies, as described on page 7, and then apply them on a consistent basis, making judgments and estimates that are prudent and reasonable. The directors must prepare the accounts on a going concern basis unless it is inappropriate to presume that the company will continue in business.

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

OBJECTIVES AND ACTIVITIES

The company's objects, as defined in the Memorandum of Association, are:

- a) to promote the conservation, protection and improvement of the physical and natural environment in the Borough of Middlesbrough and the Borough of Redcar and Cleveland;
- b) to provide facilities in the interests of social welfare for recreation and leisure time occupation with the objective of improving the conditions of life for those living in or working in or resorting to the Borough of Middlesbrough and the Borough of Redcar and Cleveland;
- c) to advance public education in environmental matters and of the ways of better conserving, protecting and improving the same wheresoever.

The company provides landscape design and contract management for physical environmental improvements to parks, play areas, school grounds, industrial estates and other open spaces in areas in need of investment and support. The local communities, schools and businesses, as appropriate, are involved at all stages of our projects to ensure that the improvements are sustainable and meet local needs. Where possible, the work is carried out by local companies and Intermediate Labour Market organisations.

GROUNDWORK SOUTH TEES

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2006

OBJECTIVES AND ACTIVITIES continued/....

During the year we have developed our environmental education programme in schools, linking with the Sustainable Development element of the National Curriculum. At present the programme is relatively small in financial terms and closely linked to improvements in school grounds, and therefore it is not defined as a separate activity in the accounts this year.

The main objectives for the year, as set out in the business plan, were:

- to deliver projects worth £1.9m, and
- to carry out a strategic review of the company's funding base and delivery programmes, in the light of the experience gained over the five years of its existence.

ACHIEVEMENTS, PERFORMANCE AND FUTURE PLANS

The company delivered projects worth £2.2m during the year. Our achievements against the National Performance Measures defined for Groundwork UK by the Department for Communities and Local Government were as follows:

- Improved 1,900,000 square metres of land as unusually, 3 major projects were in progress during the year (target 140,000);
- Involved local people in 2,772 person days of project work (target 800);
- Delivered 270 on-site training weeks for unemployed local people (target 250);
- Worked with 64 businesses (target 15).

During the year the strategic review was carried out by the Chair and Vice-Chair of the board and the Chairs of the Finance and Personnel sub-groups, assisted by the Executive Director. The group identified opportunities for expanding existing programmes and developing new programmes and reviewed the company's funding base. The resulting action plans for activities and funding were reviewed and endorsed by the board and incorporated in the Business Plan. The three main activity areas are improvement of land, education and youth.

Improvement of land

Central Government's Housing Market Renewal initiative offers an opportunity for the company to be involved in the design and implementation of improvements to the open spaces created and enhancement of the remaining streetscape. One project is already under way and the Executive Director and Development teams will continue to develop our relationships with Tees Valley Living, the body created by the five Local Authorities to implement the initiative, and the delivery teams within the local authorities.

Development of parks, play areas and open spaces will continue to be influenced by the Healthy Living agenda and the company's links to the local Primary Care Trusts will be strengthened in order to offer the Trusts more opportunities to be involved in our projects.

The company already works closely with our partner, Coast and Country Housing, on a number of individual projects and one of our objectives for the year is to agree a formal framework for working together in future. In particular, we hope to develop master plans for delivery of environmental improvements over the longer term, as funding becomes available. The Middlesbrough Development team will work towards similar arrangements with Erimus Housing.

The company is well placed to work with the two Local Authorities on cross border projects and is currently involved with the development of business site enhancement programmes in the border areas. The review group identified potential for a flagship cross border project funded by BIG (the Big Lottery Fund) and the Executive Director will look for possible schemes in partnership with the Local Authorities.

Groundwork UK has agreed a development plan with the Department for Communities and Local Government to give all targeted Local Authorities links with a Groundwork Trust nearby. During the current financial year, the company is to develop a plan for extending the scope of its activities into the Stockton-on-Tees Borough Council area.

GROUNDWORK SOUTH TEES

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2006

ACHIEVEMENTS, PERFORMANCE AND FUTURE PLANS continued/....

Education

The company has delivered the Eco Schools programme in Redcar & Cleveland for the past two years with funding of £15,000 per year from Neighbourhood Renewal Funds (NRF). In the second year, this was matched by funds from Renew Tees Valley. During the year we have delivered two pilot schemes for Groundwork UK's North East Regional Office, Greenstart (working with Sure Start) and Building Schools for the Future (working with private developers). NRF funding for the Eco Schools programme in Redcar & Cleveland is fixed for the next two years at £80,000 per year and, with an expansion of education activities into the Middlesbrough area, the total incoming resources of the education programme are planned to increase from £50,000 in 2005/06 to £175,000 in 2006/07.

Youth

During the year the company made a successful application to the Big Lottery Fund for funding for a youth worker who started work in April 2006 in Middlesbrough. The programme will add an environmental element to the work of existing youth programmes in the area and, if successful, plans will be made to expand into the Redcar & Cleveland area by April 2007.

FINANCIAL REVIEW

The operating surplus for the year amounted to £21,568 (2005 £114,513). However, free reserves rose from £144,398 to £208,192 with the release of the restricted fund held for the setting up of the new office in Saltburn. The surplus is in line with budget and reflects the planned reduction in funding from Central Government, year on year, in the first six years of the company's existence.

The company receives core funding from its three sponsors: Department for Communities and Local Government; Middlesbrough Council and Redcar & Cleveland Borough Council. Funding for projects is also received from the Single Programme, Neighbourhood Renewal Fund (NRF), European Regional Development Fund (ERDF) and a variety of other private and charitable sources. During the year ERDF income amounted to £275,000 but this is the end of the company's involvement with the six year Objective II programme and as yet there is no indication of whether a replacement programme will be put in place. The company also received an exceptional level of Single Programme funding for Coastal Arc projects. However, the strategic review described above has assured us that incoming resources of £2m will be achievable and will enable a surplus of at least 1% of income to be realised in the current year.

Reserves policy

The policy of the directors is to build up the free reserves of the company, which are the unrestricted funds less the amount retained in fixed assets, to enable the activities of the company to continue effectively for a period of six months in the event of a significant drop in funding. The target is £304,000 and the actual free reserves at 31 March 2006 were £208,192. The company aims to achieve the target over the next 3 years.

GRANT MAKING

Details of the grant making funds administered by the company are set out in note 4 to the financial statements.

AUDITORS

A resolution to reappoint Anderson Barrowcliff as auditors for the coming year will be proposed at the annual general meeting in accordance with section 385 of the Companies Act 1985.

GROUNDWORK SOUTH TEES

DIRECTORS' REPORT FOR THE YEAR ENDED 31 MARCH 2006

SMALL COMPANY PROVISIONS

This report has been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

Approved by the Board and signed on behalf of the directors:

A handwritten signature in cursive script that reads "Graham Street". The signature is written in dark ink and is positioned above a dotted line.

Professor Graham Street

Date: 18 August 2006

GROUNDWORK SOUTH TEES

(A Company Limited by Guarantee)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GROUNDWORK SOUTH TEES

We have audited the financial statements of Groundwork South Tees for the year ended 31 March 2006 which comprise the Statement of Financial Activities, Income and Expenditure Account, the Balance Sheet and the related notes. These financial statements have been prepared under the accounting policies set out therein and the requirements of the Financial Reporting Standard for Smaller Entities.

This report is made solely to the charity's members, 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 members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charity and the charity's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

As described in the Statement of Directors' Responsibilities the trustees (who are also the directors of Groundwork South Tees for the purposes of company law) are responsible for the preparation of the Directors' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

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 the Companies Act 1985. We report to you whether in our opinion the information given in the Directors' Annual Report is consistent with the financial statements. We also report to you if, in our opinion, 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 is not disclosed.

We read the Directors' Annual Report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with International Standards 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 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.

Opinion

In our opinion:

- the financial statements give a true and fair view, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to Smaller Entities of the state of the charity's affairs as at 31 March 2006, and of its incoming resources and application of resources, including its income and expenditure, in the year then ended;

GROUNDWORK SOUTH TEES

(A Company Limited by Guarantee)

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF GROUNDWORK SOUTH TEES

- the financial statements have been properly prepared in accordance with the Companies Act 1985; and
- the information given in the Directors' Report is consistent with the financial statements.



Anderson Barrowcliff
Registered Auditor
Chartered Accountants
Waterloo House
Teesdale South
Thornaby Place
Thornaby on Tees
TS17 6SA

Dated: 21 August 2006

GROUNDWORK SOUTH TEES

STATEMENT OF FINANCIAL ACTIVITIES INCLUDING INCOME AND EXPENDITURE ACCOUNT FOR THE YEAR ENDED 31 MARCH 2006

	Note	Unrestricted funds £	Restricted funds £	Total funds 2006 £	Total funds 2005 £
Incoming resources					
Incoming resources from generated funds					
Voluntary income	2	116,452	-	116,452	143,459
Bank interest		57,369	-	57,369	25,768
Incoming resources from charitable activities	3	1,155	2,254,450	2,255,605	1,447,157
Total incoming resources		<u>174,976</u>	<u>2,254,450</u>	<u>2,429,426</u>	<u>1,616,384</u>
Resources expended					
Charitable activities	4	111,746	2,276,282	2,388,028	1,483,502
Governance costs	5	19,830	-	19,830	18,369
Total resources expended		<u>131,576</u>	<u>2,276,282</u>	<u>2,407,858</u>	<u>1,501,871</u>
Net incoming/(outgoing) resources for the year / net income/(expenditure) for the year		43,400	(21,832)	21,568	114,513
Transfer between funds	12	36,091	(36,091)	-	-
Net movement in funds		79,491	(57,923)	21,568	114,513
Total funds brought forward		<u>245,605</u>	<u>57,923</u>	<u>303,528</u>	<u>189,015</u>
Total funds carried forward		<u>325,096</u>	<u>-</u>	<u>325,096</u>	<u>303,528</u>

GROUNDWORK SOUTH TEES

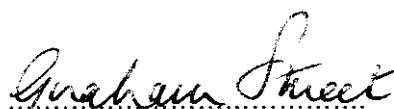
BALANCE SHEET AT 31 MARCH 2006

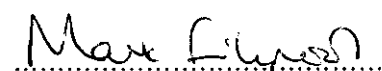
	Note	£	2006 £	£	2005 £
FIXED ASSETS					
Tangible assets	8		117,434		101,207
CURRENT ASSETS					
Debtors	9	525,968		909,645	
Cash at bank and in hand		1,132,066		1,419,871	
		1,658,034		2,329,516	
CREDITORS					
Amounts falling due within one year	10	(1,450,372)		(2,127,195)	
NET CURRENT ASSETS			207,662		202,321
NET ASSETS			325,096		303,528
FUNDS					
Unrestricted funds			325,096		245,605
Restricted funds	12		-		57,923
			325,096		303,528

These financial statements have been prepared in accordance with the special provisions for small companies under Part VII of the Companies Act 1985.

These financial statements were approved by the Board on 18 August 2006

Signed on behalf of the directors


Professor Graham Street


Dr Mark Fishpool

GROUNDWORK SOUTH TEES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

1. ACCOUNTING POLICIES

The financial statements have been prepared under the historic cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005), the Companies Act 1985 and the recommendations in Accounting and Reporting by Charities: Statement of Recommended Practice issued in March 2005.

Fund accounting

Unrestricted funds are available to the Trustees to apply for the general purposes of the charity as set out in the Memorandum of Association.

Restricted funds are subject to specific conditions imposed by the donors within the wider objects of the charity.

Incoming resources

Core funding is in the form of grants which are credited to income in the accounting period to which they relate. Any unspent balances are carried forward on the appropriate fund.

Donated facilities are included at the value to the company, as described in note 2.

Project grants received are included in creditors in the financial statements and released to the Statement of Financial Activities over the life of the project, according to the state of completion of the project at any one time.

No incoming resources have been included net of expenditure.

Resources expended

Costs of generating voluntary income are not separately identified as the directors consider that these are minimal and inseparable from general management, administration and finance expenditure which is included in support costs in the financial statements.

Grants payable are recognised in the income and expenditure account when the grants are awarded.

Project expenditure includes staff and other costs directly attributable to charitable activities.

Support costs include central overheads (management and office salaries, office, communications and other costs) identifiable, on the basis of staff time, as integral to charitable activities.

Governance costs include expenditure associated with meeting constitutional and statutory requirements and a proportion of central overheads, allocated on the basis of staff time.

Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. Assets costing less than £1,000 are not capitalised.

Depreciation is calculated to write off the cost of tangible fixed assets, less their estimated residual value, over their expected useful lives using the following rates:

Leasehold property and improvements	- over the remaining unexpired term of the lease
Furniture and equipment	- 15% or 20% straight line
Computer equipment	- over three years

GROUNDWORK SOUTH TEES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

Operating leases

Rentals payable under operating leases are charged to the Statement of Financial Activities over the period in which the cost is incurred.

Pensions

The company operates a defined contribution pension scheme for employees. The assets of the scheme are held separately from those of the company.

2. VOLUNTARY INCOME

	2006	2005
	£	£
Donations	2,452	1,626
Grants for core funding	102,000	129,833
Donated facilities	12,000	12,000
	<u>116,452</u>	<u>143,459</u>

The company's offices at Linthorpe Cemetery Lodge are occupied under a twelve year rent free lease from Middlesbrough Council. The valuation of £12,000 per annum is based on the open market value of similar properties.

3. INCOMING RESOURCES FROM CHARITABLE ACTIVITIES

	2006	2005
	£	£
Received from:		
Central government	238,000	286,000
Public agencies	22,598	37,717
Local authorities	1,488,994	757,815
European Union	274,893	256,513
Private sector	231,120	109,112
	<u>2,255,605</u>	<u>1,447,157</u>

4. EXPENDITURE ON CHARITABLE ACTIVITIES

	2006	2005
	£	£
Grants payable	82,006	98,956
Project expenditure	2,071,401	1,184,520
Support costs	234,621	200,026
	<u>2,388,028</u>	<u>1,483,502</u>
Support costs:		
Staff costs	119,379	108,717
General office costs	93,389	71,355
Depreciation	21,853	19,954
	<u>234,621</u>	<u>200,026</u>

GROUNDWORK SOUTH TEES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

4. EXPENDITURE ON CHARITABLE ACTIVITIES

Grants payable

Middlesbrough Environmental Community Chest is a fund for small-scale environmental projects, with a maximum value of £5,000, taking place within the Neighbourhood Renewal wards of Middlesbrough and/or benefiting residents of these wards. The total value of grants awarded was £37,866.

Redcar & Cleveland NRF grants are for small-scale environmental projects, with a maximum value of £1,500, taking place within the Neighbourhood Renewal wards of Redcar & Cleveland and/or benefiting residents of these wards. The total value of grants awarded was £23,440.

Redcar & Cleveland Eco Schools Support fund makes grants of up to £1,000 to schools to assist with developing and implementing environmental action plans. The total value of grants awarded was £20,700.

No grants were made to individuals.

5. GOVERNANCE COSTS

	2006	2005
	£	£
Staff costs	9,175	9,329
Legal	420	-
Audit and accountancy	3,050	2,360
General office costs	6,573	6,022
Depreciation	612	658
	<u>19,830</u>	<u>18,369</u>

6. STAFF COSTS

	2006	2005
	£	£
Salaries and wages	290,058	245,229
Social security costs	30,780	25,542
Other pension costs	22,519	18,738
Temporary staff	6,405	2,936
	<u>349,762</u>	<u>292,445</u>

The average number of staff employed during the financial year was as follows:

	2006	2005
	Number	Number
Project staff	7	6
Management and administration	4	4
	<u>11</u>	<u>10</u>

No employee received emoluments of more than £60,000.

The directors neither received nor waived any emoluments or expenses during the year.

GROUNDWORK SOUTH TEES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

7. NET INCOMING RESOURCES

This is stated after charging:

	2006 £	2005 £
Depreciation of tangible fixed assets	22,465	20,612
Auditors remuneration	2,650	2,000
Operating lease rentals:		
Land and buildings	18,175	12,000
Office equipment	682	-

As described in note 2 the land and buildings includes a notional charge of £12,000 for premises which are occupied under a rent free lease from Middlesbrough Council.

8. TANGIBLE FIXED ASSETS

	Leasehold property and improvements £	Furniture and equipment £	Computer equipment £	Total £
Cost				
At 1 April 2005	114,614	23,088	28,985	166,687
Additions	23,961	5,920	8,810	38,691
Disposals	-	(3,495)	-	(3,495)
At 31 March 2006	138,575	25,513	37,796	201,884
Depreciation				
At 1 April 2005	29,402	15,135	20,943	65,480
Charge for the year	13,107	3,716	5,642	22,465
Disposals	-	(3,495)	-	(3,495)
At 31 March 2006	42,509	15,356	26,585	84,450
Net book value				
At 31 March 2006	96,066	10,157	11,211	117,434
At 31 March 2005	85,212	7,953	8,042	101,207

9. DEBTORS

	2006 £	2005 £
Trade debtors	480,135	752,166
Prepayments and accrued income	45,833	157,479
	<u>525,968</u>	<u>909,645</u>

GROUNDWORK SOUTH TEES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

10. CREDITORS: amounts falling due within one year

	2006 £	2005 £
Payments received on account	1,071,849	1,810,842
Trade creditors	355,913	78,163
Other creditors – taxation and social security	17,210	217,213
Other creditors	-	6,874
Accruals and deferred income	5,400	14,103
	<u>1,450,372</u>	<u>2,127,195</u>

11. ANNUAL COMMITMENTS UNDER OPERATING LEASES

	Land and buildings £	Office equipment £
Operating leases which expire in two to five years	8,000	818

12. RESTRICTED FUNDS

	Balance at 1 April 2005 £	Incoming resources £	Resources expended £	Transfers £	Balance at 31 March 2006 £
Redcar & Cleveland NRF Grant	57,923	-	(21,832)	(36,091)	-
Project funding	-	2,254,450	(2,254,450)	-	-
	<u>57,923</u>	<u>2,254,450</u>	<u>(2,276,282)</u>	<u>(36,091)</u>	<u>-</u>

The Redcar & Cleveland Neighbourhood Renewal Fund Grant was expended during the year on the setting up of the company's new office in Saltburn. The transfer to unrestricted funds represents the value of fixed asset additions.

Project funding is granted to individual projects and significant transfers of funds between projects are not made without the consent of the donor.

Sufficient resources are held in an appropriate form to enable each fund to be applied in accordance with any restrictions.

13. INDEMNITY INSURANCE

The company paid £3,773 for indemnity insurance against loss arising from any neglect or defaults of directors or staff.

14. COMPANY LIMITED BY GUARANTEE

The company is limited by guarantee and does not have a share capital.

GROUNDWORK SOUTH TEES

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2006

15. CONTINGENCIES

The directors have confirmed that there were no contingent liabilities which should be disclosed at 31 March 2006.

16. CAPITAL COMMITMENTS

There were no capital commitments at 31 March 2006 (2005 £24,619).

17. PENSION COSTS

The company operates a defined contribution pension scheme for the benefit of its employees. Contributions are charged to the Statement of Financial Activities in the year they are due. The charge for the year was £22,519 (2005 £18,738).

18. RELATED PARTY TRANSACTIONS

The activities of Groundwork South Tees, its capital structure and organisation are explained in the Directors' Report on pages 2-4 of these financial statements. Transactions involving the provision of services to one or more of the members are fundamental to the operations of the company in achieving its objects as set out in the Memorandum of Association and are conducted in accordance with the company's financial regulations.

19. CONTROL RELATIONSHIPS

The company is under the control of its directors as listed on page 1.