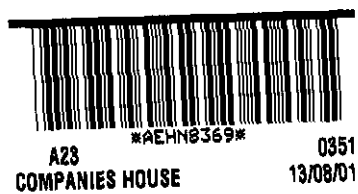


The Soil Association Limited

Report and consolidated financial statements 31 March 2001

Registered number: 409726

Registered charity number: 206862



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Trustees, officers and advisors

Royal Patron

HRH The Prince of Wales

Honorary president

Jonathan Dimpleby

Vice president

George McRobie

Trustees

Helen Browning	(Chairperson)	David Russell	(Resigned 9 October 2000)
Roger Cadbury		Craig Sams	(Honorary Treasurer)
Jim Dixon	(Resigned 16 December 2000)	Alastair Sawday	
Gaye Donaldson	(Resigned 7 October 2000)	Bill Starling	
Renee Elliott		Jenny Usher	
Sue Fowler		David Wilson	(Appointed 7 October 2000)
Leslie Harrison		Peter Kindersley	
Mark Houghton-Brown		Nigel Woodhouse	
Charlotte Mitchell			
Sir Julian Rose			

Company Secretary

Kathie Burton

Governing document

Memorandum of Association

Constitution

Company limited by guarantee

Registered office

Bristol House
40 – 56 Victoria Street
Bristol BS1 6BY

Auditors

Binder Hamlyn
20 Old Bailey
London EC4M 7BH

Bankers

Triodos Bank
Brunel House
11 The Promenade
Bristol BS8 3NN

Solicitors

Lyons Davidson
Bridge House
48-52 Baldwin Street
Bristol BS1 1QD

Trustees' report

The trustees have pleasure in presenting their report, together with the financial statements of the group for the year ended 31 March 2001.

Principal activities and business review

The Soil Association was founded in 1946 by a group of farmers, scientists and nutritionists who observed a direct connection between farming practice and plant, animal, human and environmental health. In the ensuing 55 years the organisation has developed organic standards and now works with the general public, farmers, growers, food processors, retailers and policy makers. But our mission remains the same – to create an informed body of public opinion about these links and to promote organic agriculture as a sustainable alternative to intensive farming methods.

The objects of the charity are:

- to advance the education of the public by promoting a full understanding of the vital relationship between the health of the soil, plants, animals, people and the environment;
- to advance the education of the public by carrying out research (and disseminating the results of such research) into agricultural and forestry production methods and the effect of those methods on the quality of food and other products on human health and the environment;
- to promote sustainable methods of using the Earth's living resources for the benefit of the public and to provide the public with education and support on such use;
- to foster the sustainable development of our national agricultural heritage by means of projects for education and demonstration.

The Soil Association has an elected Council (of Trustees), who elect the Chairperson and the Management Committee. Executive responsibility rests with the Director and the Senior Management Team who report to Management Committee and Council. The trustees who acted during the year are listed on page 1.

Statement of trustees' responsibilities

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the group and of the surplus or deficit of the group for that period. In preparing those statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed subject to any departures disclosed and explained in the financial statements; and
- prepare the financial statements on a going concern basis unless it is inappropriate to presume that the group will continue in business.

Trustees' report (continued)

Statement of trustees' responsibilities (continued)

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

Risk management processes are in operation across the organisation, starting with the annual planning cycle, when strengths, weaknesses, opportunities and threats are assessed and means identified to mitigate the effect of any business risks. For example, a risk evaluation was carried out as part of setting the reserves policy; the threat created to the integrity of Soil Association organic standards (and hence our reputation) by dilutionary pressures is continually monitored as is the impact of government policy and legislation on both the charity and trading activities carried out by our certification subsidiary. Financial and non-financial performance is regularly monitored. The trustees recognise that there is a need to introduce a formal risk management process and a review will be carried out in the new financial year to introduce structured procedures.

Business review

The financial year 2000/2001 was once again a year of considerable growth for the Soil Association as demand for our services continued to increase in line with the rapid expansion in demand for organic food and heightened public awareness of its benefits. Total staff numbers increased from 106 to 146 at year end and during the course of the coming year it is hoped to identify a new headquarters site which will accommodate our rapidly growing organisation and provide an educational resource for the general public.

The past year has seen the Soil Association grow in influence and profile. We have influenced policy makers and the general public through our campaigning and lobbying work. We have developed and strengthened our alliances with other organisations who care about the future of sustainable farming. Our hard won reputation for practical yet innovative solutions to the crisis in intensive farming means that we are increasingly seen as a major contributor to the debate over the future of farming in Britain.

We have continued to play a key role in raising awareness and deepening consumer understanding of the benefits of organic food and farming. We certify over 70% of organic food in the UK, providing consumer reassurance through our symbol and protecting the integrity of organic food and farming through the ongoing development of our organic standards.

We support farmers interested in converting to organic production and the orderly development of the organic market, working in partnership with relevant bodies to develop local food economies and to make organic food accessible to all. We also work with the major retailers, encouraging them to support high organic standards and to pay a fair price to organic producers.

Getting our message across

Organic food and farming is increasingly in the news and the Soil Association is the first port of call for national, regional and specialist journalists looking for the facts on organic issues. Last year we answered over 20,000 enquiries from people wanting to know about our work and our web site is visited by 1000 people every day.

Trustees' report (continued)

Getting our message across (continued)

Our award winning quarterly magazine Living Earth provides Soil Association members with hard-hitting and informative news on our campaigns and activities. The 2000 Organic Food and Farming Report brought together comprehensive organic production and marketing statistics, together with data from a MORI poll into consumer attitudes.

Membership support

Although the total number of members remained static at 14,000 (including 4,000 producer and licensee members), membership income grew by over 30%, thanks to an increase in membership rates, the onset of the new gift aid scheme and the introduction of the new Membership Plus scheme. The coming year looks set to deliver a long-overdue surge in membership numbers for the Soil Association. Plans are well underway for a revamped membership package and promotional activities that are expected to deliver a substantial increase in membership numbers.

Education

Our aim is to create an informed body of public opinion through our publications, farm visits, press and media work, technical information for farmers and growers and exhibiting at shows. During the course of the year, over 115,000 people visited the 28 farms that form our Organic Farms Network and we produced a video telling the story of organic food and farming. We aim to have 100 demonstration farms up and down the country by 2005, providing easy access for all, and are developing partnerships with schools to make the farms an essential educational resource.

Campaigning for sustainable agriculture

The Soil Association works with governments, non-governmental organisations, farmers and the general public to create conditions for a major expansion of organic farming in Britain.

During the year we published our Biodiversity Report, which provided compelling evidence that organic farms support a much higher level of wildlife than conventional farms. This widely acclaimed report was very well received by government and it has been instrumental in advancing the case for ongoing financial support for organic farmers.

The Soil Association is one of the key sponsors of the Organic Targets Bill which was supported by more than 250 MPs. This bill presses for 30% of farmland and 20% of food consumed to be organic by 2010. A version of the bill has been passed in the Welsh Assembly and the campaign to gain the support of the Scottish Parliament continues.

Our GM campaign continued to highlight the dangers posed by the genetic modification of crops and the risks of cross contamination between GM trial sites and organic farms. We are now poised to press home our case for the GM trial sites programme to be scrapped and are committed to continuing our campaign against genetically modified organisms (GMOs).

Our long battle to save small abattoirs finally persuaded the government to reduce inspection costs which were set to cripple all but the largest slaughterhouses. This holds out the hope of maintaining a network that is vital for the future of British agriculture.

Trustees' report (continued)

Campaigning for sustainable agriculture (continued)

Our successful campaign on the misuse of antibiotics in livestock production led to a government ban on seven growth promoting antibiotics. In July 2000 the EU finally banned the pesticide Lindane for use in agriculture, allowing us to focus our work on pesticide residues in food and our demand for more research into the "cocktail effect" of combinations of pesticides.

During the coming year we will be focusing on food quality and health and launching a major new initiative on local food. However, our priority campaign will be based on our action plan for sustainable farming.

We intend, through our work with the general public, like minded organisations and the new government, to make sure that our positive, solutions based, ideas on the future of sustainable farming are heard. This will be particularly important in the wake of the foot and mouth crisis, which has finally led to government acceptance of the need for a full-scale review of the future of farming.

Going local for sustainable food and farming

The Soil Association is at the forefront of actively promoting and supporting a diverse range of schemes that directly link consumers to producers. We have been involved in a number of 'local food links' projects throughout the UK, working in partnership with farmers and growers, local authorities, retailers and communities. Our seminars, workshops and research help statutory bodies, voluntary organisations and community groups to develop their own local food economy.

Our flagship programme, Food Futures, is a 3-year, UK wide project. It aims to develop sustainable local food economies by supporting and developing a range of local networks and partnerships and by working with all elements of the local food chain. Food Futures has already resulted in over 80 new local food initiatives in 11 areas ranging from the Isle of Skye to Cornwall.

The first Farmers Market took place in Bath only four years ago. There are now well over 300 in every part of the country. We have played a crucial role, through the National Association of Farmers' Markets, in supporting this extraordinary growth. This work has been bolstered by our involvement in developing a consortium that has been awarded £13 million from the lottery to award grants that support this and other types of community initiatives.

Practical help for farmers and growers

Many farmers want to break out of the cycle of intensive production and farm in a sustainable way and the job of the Soil Association is to help them. Our producer services team offer support, training and guidance for the many farmers converting to organic production. It also helps organic farmers and growers to meet the challenges of a rapidly changing market place. Despite several of our events being disrupted by the fuel crisis and foot and mouth disease, over 1,800 farmers and growers attended this year, while our producer membership rose by 25 per. Our quarterly magazine "Organic Farming" continues to be recognised as the leading organic journal in the UK.

The Soil Association's campaign for voluntary vaccination during the height of the foot and mouth crisis was rooted in our work with those most affected, leading to the establishment of the "Farmers for Voluntary Vaccination".

Trustees' report (continued)

Shows and events

Last year we attended more than 20 agricultural and food shows, meeting over five million people during 100 days of activity in every part of Great Britain

The Organic Food Awards, in its 14th year, attracted more entries and more coverage than ever reflecting the increasing diversity and quality of organic food available.

Our Cirencester conference (attended by three ministers) once again provided a unique platform for the farming community, policy makers and the food industry to come together to debate the future of organic food and farming.

Regional development

Delivering more of our work through UK national and regional centres will enable the Soil Association to provide more responsive and locally relevant services involving all the elements of the organic movement, ie producers, processors and manufacturers, retailers and consumers.

Since opening in May 2000 Organic South West has established a significant and important presence in the region and provides a model for the work we have begun across the United Kingdom.

Organic Scotland was formed two years ago by the Scottish Organic Producers Association and the Soil Association to provide producer services, representation, market development and consumer advocacy in a devolved Scotland. Despite set-backs on the road to full co-operation, we will continue to work towards making sure that organic producers and consumers are well represented and offered a professional service in Scotland.

We are active partners in Organic Centre Wales (OCW), which provides a range of services to producers, processors and other stakeholders. The government-funded Organic Conversion Information Service helpdesk for England continues to be operated by the Soil Association in Bristol, but in Wales this service is now run by OCW, providing a good example of a working, devolved, partnership.

Last year we helped secure a grant from the department of agriculture for Northern Ireland to assess the strategic requirements needed to develop the organic sector. Our feasibility study is now complete and we will use its results to support the work of dedicated staff who will work with and support the sector.

Forestry

A pilot organic forestry scheme which integrates forestry into organic farm management has been developed for launch this year which will help producers and retailers to expand into new markets for organic products, leading to further benefits for wildlife and the countryside.

Woodmark awards Forest Stewardship Council (FSC) certificates to well managed forests. Last year a further 200,000 hectares of forest was certified, an increase of more than 10%. There are now 1.9 million hectares of certified forests worldwide, with the first ever certificates awarded in Croatia and Swaziland.

Trustees' report (continued)

Forestry (continued)

Our project to get local authorities to specify certified wood was completed in December. The project ended with the government announcing that all departments would in future be required to specify wood from certified well managed sources.

Setting the standards for sustainable farming

Setting and developing organic standards is one of our most important tasks, ensuring that Soil Association standards reflect the best sustainable practice, meet consumer expectations and become a benchmark for organic production globally.

Producers, processors, consumers and Soil Association members come together on our eight standards committees to oversee the development of standards in the areas of agriculture, specialist livestock, horticulture, aquaculture, processing, retailing, textiles and health products (the last two are new areas in development). These committees report to the Soil Association Council via the Standards Board.

New standards have been published for restaurants and catering establishments and we have published revised standards for poultry, livestock and aquaculture. Standards for new areas have been finalised and are ready for publication. These include deer, wild plants and watercress. Amended standards for environmental management on organic farms and for pig farming have also been finalised.

Draft standards have been produced for organic livestock markets, which will undergo carefully monitored trials before further consideration. Principles of standards have also been developed for pot plants and fresh potted herbs.

Certifying organic food and farming

The Soil Association symbol continues to be the sign of organic integrity the consumer can trust, representing an independent guarantee of integrity.

The growth in the organic market has continued relentlessly, conservatively estimated this year at 40%. This demand has been reflected by the number of farmers and growers converting to organic farming. Despite the growth in UK organic production much of the demand for organic produce continues to be met by imports because of lack of UK supply. The number of registered producers has risen by 46% from 1463 to 2135.

The increased level of organic production and growth of the sector is reflected by a 40% increase in registered processors to 1563. These range from small on farm processing operations to large international companies. Soil Association Certification (SA Cert) now licenses over 65 retail outlets, 12 restaurants and 6 educational courses. The Certified products scheme (for non-food items like compost, health and beauty products and textiles) has undergone a comprehensive review and will be re-launched in 2001.

SA Cert works internationally, carrying out direct certification in countries that do not have their own certification body, while supporting the development of local certification bodies. A lot of this work takes place in developing countries and helps to ensure that imported organic goods are produced to Soil Association Standards.

Trustees' report (continued)

Certifying organic food and farming (continued)

With three-quarters of organic ingredients and products being imported from all over the world we have to make sure that ingredients can be verified as having been produced to Soil Association standards. Our equivalence programme scrutinises the standards of UK and overseas certification bodies (over 100 in Europe alone).

The division of the certification department into producer and processor teams has been a real success, bringing increased efficiencies and benefiting our licensees through increased specialisation of the teams. The turnover of SA Cert grew by over 66%, whilst the number of staff employed by the subsidiary has increased from 45 to 67 (49%).

Treasurer's Report

Total incoming resources for the year were £5.1 million (a 31% increase on the previous year's £3.9 million), while expenditure increased by 44% to just under £5.2 million. Reserves now stand at £621,000, some £90,000 less than a year ago, reflecting the demands made by another year of considerable growth in activities and by the internal investment required to enable the organisation to meet the demands created by its ongoing growth.

Legacies received this year were £420,000 lower but income from all other sources has increased in total by £1.6 million, equating to a 48% growth. Certification income was 58% higher and Grant Income, particularly grants from charitable trusts, was more than £600,000 higher.

As a people-based organisation, investments have been made in staff to ensure that we have been able to meet the demands of our members and customers, although we also continue to invest in improving our computer-based services. Without this level of investment it would have been very difficult for the organisation to continue to operate effectively, but this has made it necessary for the first time in many years to dip into our reserves.

During the course of the year, we have sold the major part of our investments portfolio (received as legacies in the past years) but with falling share prices, we were unable to realise the full values as at March 2000. The investments we continue to hold are those that do not conflict with the aims of the Soil Association, can be readily realised and which are expected to give an acceptable return.

The Soil Association has a target of unrestricted reserves equivalent to 100 days of expenditure which we feel is a prudent buffer level. However, the higher level of expenditure this year coupled with the reduction in reserves because of the deficit, means that reserves have dropped below this level to 70 days. There has been a delay in receiving a substantial legacy which, had it been received this year, would have extended reserves to 96 days.

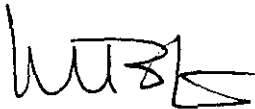
Identifying new funding opportunities and obtaining increased income from existing sources in order to meet the growing financial demands of the Soil Association remain one of its major challenges. However, the outstanding commitment and generosity of our members remains a great strength as was demonstrated by the response to two major appeals. The Biodiversity appeal and the Food Quality appeal each raised in excess of £50,000 with one in six of our members making a donation. Our membership development programme will help to build this vital source of income.

Trustees' report (continued)

Auditors

The trustees will propose a resolution before the annual general meeting to appoint Binder Hamlyn as auditors for the ensuing year. This report was approved by the trustees and signed on their behalf on 2 July 2001

By order of the Board,

A handwritten signature in black ink, appearing to be 'K Burton', written in a cursive style.

K Burton

Company Secretary
Bristol House
40 – 56 Victoria Street
Bristol

Auditors' report

Binder Hamlyn

20 Old Bailey
London
EC4M 7BH

Tel 020 7489 9000
Fax 020 7489 6060

www.arthurandersen.com

To the members of The Soil Association Limited

We have audited the financial statements on pages 11 to 30 which have been prepared under the historical cost convention as modified by the revaluation of investments and the accounting policies set out on pages 16 to 18.

Respective responsibilities of trustees and auditors

As described on page 2, the group's trustees are responsible for the preparation of the financial statements in accordance with applicable United Kingdom law and accounting standards. Our responsibilities as independent auditors, are established in the United Kingdom by statute, the Auditing Practices Board, and by our profession's ethical guidance.

Basis of opinion

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

Opinion

In our opinion the financial statements give a true and fair view of the state of affairs of the company and of the Group at 31 March 2001 and of the group's incoming resources and application of resources, including its income and expenditure for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Binder Hamlyn

Binder Hamlyn

Chartered Accountants and Registered Auditors

20 Old Bailey
London
EC4M 7BH

2 July 2001

Consolidated statement of financial activities (incorporating an income and expenditure account)

For the year ended 31 March 2001

	Note	Unrestricted funds £	Restricted funds £	Total 2001 £	Total 2000 £
Incoming resources					
Donations and gifts		324,881	91,106	415,987	538,319
Legacies	2	91,386	-	91,386	510,626
Activities in furtherance of the charity's objects:					
Grants receivable		360,283	632,616	992,899	384,073
Certification income		2,510,112	-	2,510,112	1,584,041
Income from activities		690,379	-	690,379	515,374
Membership		280,565	-	280,565	203,877
Activities for generating funds:					
Mail order sales		125,432	-	125,432	161,695
Interest receivable		17,464	1,257	18,721	10,950
Total incoming resources		<u>4,400,502</u>	<u>724,979</u>	<u>5,125,481</u>	<u>3,908,955</u>
Resources expended					
<i>Cost of generating funds:</i>					
Fund-raising and publicity		284,630	39,158	323,788	174,956
Mail order costs		119,204	-	119,204	156,520
		<u>403,834</u>	<u>39,158</u>	<u>442,992</u>	<u>331,476</u>
<i>Charitable expenditure</i>					
Cost of activities in furtherance of the charity's objects:					
Membership support		215,741	23,529	239,270	230,592
Producer support		137,090	285,187	422,277	279,920
Policy and campaigns		62,063	117,162	179,225	236,857
Standards development		8,591	81,303	89,894	67,391
Food futures		26,861	97,941	124,802	79,755
Local food links		29,739	35,089	64,828	122,416
National farm network		23,745	19,960	43,705	54,586
Forestry		104,328	1,350	105,678	31,758
Organic information service		48,340	-	48,340	40,978
Shows and events		210,184	2,000	212,184	142,963
Certification costs		2,482,339	-	2,482,339	1,402,348
Support costs		647,447	15,727	663,174	530,038
Management and administration		66,376	-	66,376	46,062
		<u>4,062,844</u>	<u>679,248</u>	<u>4,742,092</u>	<u>3,265,664</u>
Total resources expended	4	<u>4,466,678</u>	<u>718,406</u>	<u>5,185,084</u>	<u>3,597,140</u>

Consolidated statement of financial activities (continued)

	Note	Unrestricted Funds £	Restricted Funds £	Total 2001 £	Total 2000 £
Net (resources expended)/incoming resources		(66,176)	6,573	(59,603)	311,815
Net (losses)/gains on investment assets	11	(34,307)	-	(34,307)	27,058
Net movement in funds		(100,483)	6,573	(93,910)	338,873
Fund balances brought forward at 1 April 2000		659,079	55,754	714,833	375,960
Fund balances carried forward at 31 March 2001	18	558,596	62,327	620,923	714,833

The accompanying notes are an integral part of this consolidated statement of financial activities.

All of the above results derive from continuing activities.

There were no other recognised gains or losses other than those shown in the statement above.

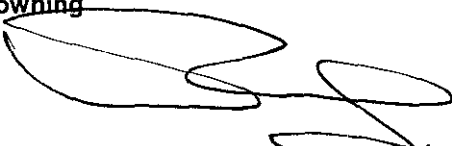
Group balance sheet

31 March 2001

	Notes	2001 £	2000 £
Fixed assets			
Tangible assets	8	<u>168,484</u>	<u>193,900</u>
Current assets			
Stocks	9	22,718	19,876
Debtors	10	781,391	567,091
Investments	11	56,878	343,990
Cash at bank and in hand		<u>137,132</u>	<u>452,385</u>
		998,119	1,383,342
Creditors: amounts falling due within one year	12	<u>(535,208)</u>	<u>(849,682)</u>
Net current assets		<u>462,911</u>	<u>533,660</u>
Total assets less current liabilities		<u>631,395</u>	<u>727,560</u>
Creditors: amounts falling due after more than one year	13	(9,546)	(11,801)
Provision for liabilities and charges	15	<u>(926)</u>	<u>(926)</u>
		(10,472)	(12,727)
Total net assets		<u>620,923</u>	<u>714,833</u>
Funds			
Unrestricted funds		558,596	659,079
Restricted funds		<u>62,327</u>	<u>55,754</u>
Total funds	18	<u>620,923</u>	<u>714,833</u>

The accounts on pages 11 to 30 were approved by the Board on 2 July 2001

Helen Browning
Trustee



Craig Sams
Trustee



The accompanying notes on pages 16 to 30 are an integral part of this group balance sheet.

Company balance sheet

31 March 2001

	Notes	2001 £	2000 £
Fixed assets			
Tangible assets	8	121,530	155,172
Investments	7	4	4
		<u>121,534</u>	<u>155,176</u>
Current assets			
Stocks	9	-	220
Debtors	10	648,357	360,920
Investments	11	56,878	343,990
Cash at bank and in hand		60,276	252,154
		<u>765,511</u>	<u>957,284</u>
Creditors: amounts falling due within one year	12	<u>(271,017)</u>	<u>(403,734)</u>
Net current assets		<u>494,494</u>	<u>553,550</u>
Total assets less current liabilities		<u>616,028</u>	<u>708,726</u>
Creditors: amounts falling due after more than one year	13	<u>(2,511)</u>	<u>(7,660)</u>
Total net assets		<u>613,517</u>	<u>701,066</u>
Funds and reserves			
Unrestricted funds		551,190	645,312
Restricted funds		62,327	55,754
Total funds	18	<u>613,517</u>	<u>701,066</u>

The accompanying notes on pages 16 to 30 are an integral part of this company balance sheet.

Consolidated cash flow statement

For the year ended 31 March 2001

	Notes	2001 £	2000 £
Net cash (outflow)/inflow from operating activities	20	<u>(482,336)</u>	<u>579,138</u>
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets		(80,989)	(165,432)
Proceeds from sale of tangible fixed assets		-	1,269
Proceeds from sales of investments		259,653	120,652
Purchase of investments		<u>(6,848)</u>	<u>(398,783)</u>
		<u>171,816</u>	<u>(442,294)</u>
Cash (outflow)/inflow before decrease in resources and financing		(310,520)	136,844
Financing			
Finance lease payments		(23,950)	(19,943)
New leases		<u>20,054</u>	<u>17,226</u>
(Decrease)/increase in cash in the year	20	<u>(314,416)</u>	<u>134,127</u>

Notes to the financial statements

31 March 2001

1 Accounting policies

a) *Basis of accounting*

The financial statements have been prepared under the historical cost convention, with the exception of investments which are included at market value. The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" published in October 2000 and applicable accounting standards.

The statement of financial activities (SOFA), balance sheet and cash flow consolidate the financial statements of the charity and its wholly owned subsidiary undertakings, Soil Association Certification Limited and SA Sales and Services Limited. The results of the subsidiaries are consolidated on a line by line basis.

No separate SOFA has been presented for the charity alone as permitted by Section 230 of the Companies Act 1985.

b) *Company status*

The charity is a company limited by guarantee. The members of the company are the trustees named on page 1. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity.

c) *Fund accounting*

General funds are unrestricted funds which are available for use at the discretion of the trustees in furtherance of the general objectives of the charity and which have not been restricted for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors or which have been raised by the charity for particular purposes. The cost of raising and administering such funds are charged against the specific fund. The aim and use of each restricted fund is set out in the notes to the financial statements.

Investment income and gains are allocated to the appropriate fund.

d) *Incoming resources*

All incoming resources are included in SOFA when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy. For legacies, where the amount can be quantified with reasonable accuracy, entitlement is the earlier of the charity being notified of an impending distribution or the legacy being received.

Notes to the financial statements (continued)

1 Accounting policies (continued)

e) *Resources expended*

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Direct charitable expenditure comprises direct expenditure including direct staff costs attributable to the activity. Where costs cannot be directly attributed, they have been allocated to activities on a basis consistent with the use of resources. Management and administration costs are those incurred in connection with the management of the group's assets, organisational administration and compliance with statutory requirements.

Fund-raising costs are those incurred in seeking voluntary contributions and do not include the costs of disseminating information in support of the charitable activities. Support costs are those costs incurred directly in support of expenditure on the objects of the charity. Management and administration costs are those incurred in connection with administration of the charity and compliance with constitutional and statutory requirements.

f) *Tangible fixed assets and depreciation*

Tangible fixed assets costing more than £1,000 are capitalised and included at cost including any incidental expenses of acquisition.

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

Leasehold improvements	-	evenly over the lease term
Office furniture and fittings	-	5 years straight-line method
Office equipment and software	-	3 years straight-line method

g) *Investments*

Investments are stated at market value at the balance sheet date. The SOFA includes the net gains and losses arising on revaluations and from disposals throughout the year.

h) *Stock*

Stock consists of purchased goods for resale. Stocks are valued at the lower of cost and net realisable value.

i) *Pension costs*

The Group contributes to a money purchase scheme to which the employee contributes an equal amount. The Group has no other pension liability.

j) *Finance and operating leases*

Rentals applicable to operating leases are charged to the SOFA over the period in which the cost is incurred. Assets purchased under finance lease are capitalised as fixed assets. Obligations under such agreements are included in creditors. The difference between the capitalised cost and the total obligation under the lease represents the finance charges. Finance charges are written-off to the SOFA over the period of the lease so as to produce a constant periodic rate of charge.

Notes to the financial statements (continued)

1 Accounting policies (continued)

k) Foreign currencies

Transactions in foreign currencies are recorded at the rate ruling at the date of the transaction. Monetary assets and liabilities are retranslated at the rate of exchange ruling at the balance sheet date. All differences are taken to the SOFA.

l) Taxation

No corporation tax has been provided in the financial statements of The Soil Association Limited as the income of the charity is covered by the exemption granted by Section 505 of the Income Tax and Corporation Taxes Act 1988.

Provision for deferred taxation is made in the subsidiary companies at the appropriate rates in respect of all material timing differences only to the extent that, in the opinion of the directors, there is a reasonable probability that an asset or liability will crystallise in the foreseeable future.

2 Legacies

Legacies with an estimated probate value of £200,000 have not been included in the financial statements as no notification of impending distribution has been received.

3 Staff numbers and costs

The average number of employees during the year was:

	2001 Number	2000 Number
Direct charitable	121	84
Fundraising and publicity	7	4
Management and administration	1	1
	<hr/> 129	<hr/> 89

The aggregate payroll costs were as follows:

	2001 £	2000 £
Wages and salaries	2,345,779	1,653,233
Social security costs	247,531	155,034
	<hr/> 2,593,310	<hr/> 1,808,267

Notes to the financial statements (continued)

3 Staff numbers and costs (continued)

The number of employees whose emoluments as defined for taxation purposes amounted to over £50,000 in the year was as follows:

	2001 £	2000 £
£50,001 - £60,000	<u>1</u>	<u>1</u>

All employees earning more than £50,000 participated in the pension scheme.

4 Net (resources expended)/incoming resources and total resources expended

	Staff costs £	Other direct costs £	Total 2001 £	Total 2000 £
Fund-raising and publicity	154,620	169,168	323,788	174,956
Mail order costs	27,325	91,879	119,204	156,520
Membership support	78,822	160,448	239,270	230,592
Producer support	256,614	165,663	422,277	279,920
Policy and campaigns	109,416	69,809	179,225	236,857
Standards development	49,275	40,619	89,894	67,391
Food futures	87,364	37,438	124,802	79,755
Local food links	37,369	27,458	64,828	122,416
National farm network	27,041	16,664	43,705	54,586
Forestry	67,379	38,299	105,678	31,758
Organic information service	34,876	13,465	48,340	40,978
Shows and events	31,247	180,937	212,184	142,963
Certification costs	1,371,971	1,110,368	2,482,339	1,402,348
Support costs	246,491	416,683	663,174	530,038
Management and administration	13,500	52,876	66,376	46,062
Total resources expended	<u>2,593,310</u>	<u>2,591,774</u>	<u>5,185,084</u>	<u>3,597,140</u>

Notes to the financial statements (continued)

4 Net (resources expended)/incoming resources and total resources expended (continued)

Net (resources expended) / incoming resources before transfers is stated after charging the following:

	2001 £	2000 £
Auditors' remuneration	12,415	9,100
Depreciation of owned assets	88,223	60,506
Depreciation of leased assets and assets which are subject to hire purchase contracts	18,182	15,183
Interest payable on leases	<u>4,058</u>	<u>3,741</u>

5 Trustees' remuneration

The trustees neither received nor waived any emoluments during the year (2000: £Nil).

Out of pocket expenses were reimbursed to 10 (2000:10) as follows:

	2001 £	2000 £
Travel	<u>5,838</u>	<u>5,762</u>
	<u>5,838</u>	<u>5,762</u>

6 Taxation

	2001 £	2000 £
UK Corporation tax at current rates	<u>-</u>	<u>-</u>

The Association is a registered charity and under section 505 of the Charity Taxation Act 1988 is exempt from payment of Corporation and Capital Gains Taxes on its charitable activities.

7 Trading activities of subsidiaries

The company has two wholly owned trading subsidiaries which are incorporated in the UK. Soil Association Certification Limited licenses commercial food production to the highest organic standards and licences sustainable forestry. SA Sales and Services Limited operates a mail order service.

Soil Association Certification Limited covenants its taxable profits to Soil Association Limited.

A summary of their trading results is shown below. Audited accounts have been filed with the Registrar of Companies.

Notes to the financial statements (continued)

7 Trading activities of subsidiaries (continued)

	Soil Association Certification Limited £	SA Sales and Services Limited £	2001 Total £	2000 Total £
Profit and loss account				
Income from sales	2,510,113	385,323	2,895,436	1,859,112
Grants receivable	287,308	-	287,308	100,865
Turnover	2,797,421	385,323	3,182,744	1,959,977
Cost of sales	(1,235,519)	(115,865)	(1,351,384)	(939,437)
Gross profit	1,561,902	269,458	1,831,360	1,020,540
Administration	(1,556,249)	(87,487)	(1,643,736)	(948,106)
Interest receivable	4,246	705	4,951	3,913
Interest payable	(9,336)	(108)	(9,444)	(234)
Net profit	563	182,568	183,131	76,113
Amount covenanted to Soil Association Limited	-	(182,568)	182,568	(77,385)
Taxation	-	-	-	-
Retained in subsidiaries	563	-	563	(1,272)
Balance sheet				
Fixed assets	46,954	-	46,954	38,728
Current assets	506,193	98,894	605,087	585,719
Current liabilities	(493,326)	(93,344)	(586,670)	(512,533)
	59,821	5,550	65,371	111,914
Long term liabilities	(57,961)	-	(57,961)	(105,067)
Net assets	1,860	5,550	7,410	6,847

Notes to the financial statements (continued)

8 Tangible fixed assets

Group	Leasehold improvements £	Office furniture and fittings £	Office equipment and software £	Total £
Cost				
At 1 April 2000	40,012	71,802	214,749	326,563
Additions	2,234	10,377	68,378	80,989
Disposals	-	-	(23,049)	(23,049)
At 31 March 2001	<u>42,246</u>	<u>82,179</u>	<u>260,078</u>	<u>384,503</u>
Depreciation				
At 1 April 2000	17,992	14,229	100,442	132,663
Charge for year	8,092	15,820	82,493	106,405
Disposals	-	-	(23,049)	(23,049)
At 31 March 2001	<u>26,084</u>	<u>30,049</u>	<u>159,886</u>	<u>216,019</u>
Net book value				
At 1 April 2000	<u>22,020</u>	<u>57,573</u>	<u>114,307</u>	<u>193,900</u>
At 31 March 2001	<u>16,162</u>	<u>52,130</u>	<u>100,192</u>	<u>168,484</u>

Included in the above are the following amounts relating to leased assets and assets which are subject to hire purchase contracts:

	Office equipment and software £	Total £
Net book values at 31 March 2001	<u>20,616</u>	<u>20,616</u>

Notes to the financial statements (continued)

8 Tangible fixed assets (continued)

Company	Leasehold improvements £	Office furniture and fittings £	Office equipment and software £	Total £
Cost				
At 1 April 2000	40,012	71,802	154,446	266,260
Additions	2,234	10,377	29,150	41,761
Disposals	-	-	(23,049)	(23,049)
At 31 March 2001	<u>42,246</u>	<u>82,179</u>	<u>160,547</u>	<u>284,972</u>
Depreciation				
At 1 April 2000	17,992	14,229	78,867	111,088
Charge for year	8,092	15,820	51,491	75,403
Disposals	-	-	(23,049)	(23,049)
At 31 March 2001	<u>26,084</u>	<u>30,049</u>	<u>107,309</u>	<u>163,442</u>
Net book value				
At 1 April 2000	<u>22,020</u>	<u>57,573</u>	<u>75,579</u>	<u>155,172</u>
At 31 March 2001	<u>16,162</u>	<u>52,130</u>	<u>53,238</u>	<u>121,530</u>

Included in the above are the following amounts relating to leased assets and assets which are subject to hire purchase contracts:

	Office equipment and software £	Total £
Net book values at 31 March 2001	<u>5,661</u>	<u>5,661</u>

9 Stocks

	Company		Group	
	2001 £	2000 £	2001 £	2000 £
Books, leaflets and stationery	<u>-</u>	<u>220</u>	<u>22,718</u>	<u>19,876</u>

Notes to the financial statements (continued)

10 Debtors

	Company		Group	
	2001 £	2000 £	2001 £	2000 £
Trade debtors	41,237	30,283	518,686	352,937
Amounts owed by subsidiaries *	369,469	155,816	-	-
Taxes and social security	29,097	5,786	29,097	5,786
Corporation tax repayable	-	-	1,882	1,882
Other debtors	68,156	77,564	68,156	77,564
Prepayments and accrued income	140,398	91,471	163,570	128,922
	<u>648,357</u>	<u>360,920</u>	<u>781,391</u>	<u>567,091</u>

* Includes a loan to Soil Association Certification Limited of which £50,000 falls due after more than one year.

11 Current asset investments

	Company		Group	
	2001 £	2000 £	2001 £	2000 £
Market Value at 1 April 2000	343,990	38,801	343,990	38,801
Acquisitions at cost	6,848	398,783	6,848	398,783
Disposal Proceeds	(259,653)	(120,652)	(259,653)	(120,652)
Net (loss) / gain for the year	<u>(34,307)</u>	<u>27,058</u>	<u>(34,307)</u>	<u>27,058</u>
Market Value at 31 March 2001	<u>56,878</u>	<u>343,990</u>	<u>56,878</u>	<u>343,990</u>
Historic cost at 31 March 2001	<u>26,958</u>	<u>266,481</u>	<u>26,958</u>	<u>266,481</u>
Unrealised gains at 31 March 2001	<u>29,920</u>	<u>77,509</u>	<u>29,920</u>	<u>77,509</u>

In line with the preferred treatment of the Charities Statement of Recommended Practice current asset investments have been revalued to their market value at 31 March 2001.

Notes to the financial statements (continued)

12 Creditors: amounts falling due within one year

	Notes	Company		Group	
		2001 £	2000 £	2001 £	2000 £
Bank loan and overdraft	14	-	-	1,058	908
Other loans		38,000	36,000	38,000	36,000
Trade creditors		140,450	211,609	204,884	282,922
Other taxes and social security		38,082	28,934	168,524	141,295
Other creditors		10,561	61,194	30,016	83,855
Accruals and deferred income		40,775	52,472	82,041	289,389
Obligations under lease and hire purchase contracts	14	3,149	13,525	10,685	15,313
		<u>271,017</u>	<u>403,734</u>	<u>535,208</u>	<u>849,682</u>

13 Creditors: amounts falling due after more than one year

	Notes	Company		Group	
		2001 £	2000 £	2001 £	2000 £
Bank loan	14	-	-	-	987
Other loans	14	-	2,000	-	2,000
Obligations under lease and hire purchase contracts	14	2,361	5,510	9,396	8,664
3% perpetual debentures		150	150	150	150
		<u>2,511</u>	<u>7,660</u>	<u>9,546</u>	<u>11,801</u>

Notes to the financial statements (continued)

14 Borrowings

The aggregate amount of borrowings was as follows:

	2001 £	2000 £
Falling due within one year:		
Bank loan – current portion	1,058	908
Other loans	38,000	36,000
Obligations under lease and hire purchase contracts	10,685	15,313
	<u>49,743</u>	<u>52,221</u>
Falling due after more than one year:		
Bank loan – repayable within five years	-	987
Other loans – repayable within five years	-	2,000
Obligations under lease and hire purchase contracts	9,396	8,664
	<u>9,396</u>	<u>11,651</u>
Aggregate amounts	<u>59,139</u>	<u>63,872</u>

15 Provision for liabilities and charges

Deferred taxation provided in the financial statements and the potential amounts, including the amounts for which provision has not been made, are as follows;

Group position	Provided		Unprovided	
	2001 £	2000 £	2001 £	2000 £
Capital allowances in advance of depreciation	<u>926</u>	<u>926</u>	<u>-</u>	<u>-</u>

There is no deferred tax provision for Soil Association Limited as it is exempt from corporation and capital gains tax.

16 Capital commitments and contingent liabilities

There were no contingent liabilities or capital commitments at the balance sheet date.(2000:£Nil).

Notes to the financial statements (continued)

17 Leasing commitments

Future commitments under various operating leases were £427,738 per annum (2000: £286,364)

	Company £	Group £
Annual amounts due under leases expiring:		
- within one year	105,598	174,933
- within two to five years	<u>208,662</u>	<u>252,805</u>

18 Total funds

	Balance at 1 April 2000 £	Incoming resources £	Resources expended £	Realised and Unrealised gains £	Balance at 31 March 2001 £
Charitable funds	645,412	1,217,758	(1,277,677)	(34,307)	551,186
Non-charitable trading funds	<u>13,667</u>	<u>3,182,744</u>	<u>(3,189,001)</u>	<u>-</u>	<u>7,410</u>
Total unrestricted funds	<u>659,079</u>	<u>4,400,502</u>	<u>(4,466,678)</u>	<u>(34,307)</u>	<u>558,596</u>
Restricted funds					
Dougal Campbell	25,952	1,257	-	-	27,209
Producer support	12,797	272,390	(285,187)	-	-
Policy & campaigns	15,441	111,721	(117,162)	-	10,000
Local food	1,564	151,426	(152,990)	-	-
Forestry	-	1,350	(1,350)	-	-
Standards	-	81,303	(81,303)	-	-
Membership	-	23,529	(23,529)	-	-
Shows and events	-	2,000	(2,000)	-	-
Marketing and communications	-	47,059	(39,158)	-	7,901
Administration and support	-	32,944	(15,727)	-	17,217
	<u>55,754</u>	<u>724,979</u>	<u>(718,406)</u>	<u>-</u>	<u>62,327</u>
	<u>714,833</u>	<u>5,125,481</u>	<u>(5,185,084)</u>	<u>(34,307)</u>	<u>620,923</u>

Notes to the financial statements (continued)

18 Total funds (continued)

Restricted funds

The following restricted funds were in use during the year and any funds at the year end were held in cash.

Dougal Campbell

Established in 1995 in memory of the life and work of a former trustee of the Association. The funds have been set aside to support causes appropriate to his memory.

Producer Support

These funds are used to promote and support organic farmers and growers and those considering conversion to organics.

Policy and campaigns

These funds are employed to research, lobby and campaign organic, agricultural and environmental issues.

Local food

This fund support local organic and sustainable food production and distribution, as well as providing local educational facilities through the demonstration organic farms network.

Forestry

The Responsible Forestry Programme aims to increase public awareness of the importance of sustainable forest management.

Standards

The fund supports the development of Soil Association organic standards both within the UK and overseas.

Membership

The fund was established to research and develop new ways of promoting and supporting the work of the Association with existing and potential members.

Shows and events

This fund supports shows and events throughout the UK.

Marketing and communications

These funds are employed to strengthen the marketing team.

Administration and support

This fund is utilised to strengthen the central management team.

Notes to the financial statements (continued)

19 Net assets by fund Group

	Fixed assets £	Net current assets £	Long term creditors £	Provisions £	Total £
Unrestricted funds	168,484	400,584	9,546	926	558,596
Restricted funds	-	62,327	-	-	62,327
Total group funds	<u>168,484</u>	<u>462,911</u>	<u>9,546</u>	<u>926</u>	<u>620,923</u>

20 Cash flow information for the group

(a) Reconciliation of changes in resources to net outflow from operating activities

	2001 £	2000 £
Net (outgoing) /incoming resources before revaluations	(59,603)	311,815
Depreciation	106,405	75,689
(Increase)/decrease in stocks	(2,842)	16,306
(Increase)/decrease in debtors	(214,300)	(344,013)
(Decrease)/increase in creditors	(311,996)	519,341
Net cash (outflow) / inflow from operating activities	<u>(482,336)</u>	<u>579,138</u>

(b) Reconciliation of net cash flow to movement in net funds/debt

	2001 £	2000 £
(Decrease)/increase in cash in the period	(314,416)	134,127
Net cash outflow from decrease in lease financing	(3,896)	(2,717)
Movement in net funds and debt in the year	(318,312)	131,410
Net funds and debt at 1 April 2000	<u>474,467</u>	<u>343,057</u>
Net funds and debt at 31 March 2001	<u>156,155</u>	<u>474,467</u>

Notes to the financial statements (continued)

20 Cash flow information for the group (continued)

(c) Analysis of net funds/debt

	1 April 2000 £	Cash flow £	Other non cash changes £	31 March 2001 £
Cash at bank and in hand	450,490	(314,416)	0	136,074
Finance leases	23,977	(23,950)	20,054	20,081
	<u>474,467</u>	<u>(338,366)</u>	<u>20,054</u>	<u>156,155</u>

Cash at bank and in hand figure in the notes includes Bank loans and overdrafts. Creditors movement (includes short and long term creditors) excludes finance leases, bank loans and overdrafts.

21 Related party transactions

Council members do not receive remuneration for the provision of their services as trustees of the Soil Association.

Soil Association Ltd made sales to and purchases from council members. Subsidiary companies purchased services from and also made sales to council members. These transactions were all under normal commercial terms and conditions.

	2001 £	2000 £
Sales to Council members	<u>2,629</u>	<u>880</u>
Purchase from Council members	<u>35,108</u>	<u>3,771</u>
Subsidiary company sales to Council members	<u>11,889</u>	<u>6,178</u>
Subsidiary company purchases from Council members	<u>22,327</u>	<u>20,116</u>

Purchases from Council members includes £31,613 paid to Alistair Sawday's Tours Limited, a company of which Alistair Sawday is a director. The payment was made for services carried out in connection with the Organic Bike Ride 2000. Subsidiary company purchases from Council members includes £22,039 paid to Bill Starling by Soil Association Certification Limited for inspection services.