

Company Registration No. 409726
Registered Charity No. 206862

THE SOIL ASSOCIATION LIMITED

Report and Consolidated Financial Statements

31 March 2004

Deloitte & Touche LLP
Bristol



REPORT AND CONSOLIDATED FINANCIAL STATEMENTS 2004

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TRUSTEES, OFFICERS AND PROFESSIONAL ADVISERS

ROYAL PATRON

HRH The Prince of Wales

HONORARY PRESIDENT

Jonathan Dimbleby

HONORARY VICE PRESIDENT

George McRobie

TRUSTEES

Darina Allen (appointed 23/10/2003)
Helen Browning (resigned 04/10/2003)
Roger Cadbury
Carey Coombs
Renee Elliott
Sue Fowler
Mark Houghton-Brown
Peter Kindersley
Daphne Lambert

Charlotte Mitchell
Orna Ni-Chionna (Vice chair)
Craig Sams (Chair)
Alastair Sawday
Bill Starling
Adrian Steele (appointed 04/10/2003)
Jenny Usher
David Wilson (resigned 04/10/2003)
Nigel Woodhouse
Simon Wright

HONORARY TREASURER

Peter Trill (resigned 18/03/2004)
David Young (appointed 18/03/2004)

COMPANY SECRETARY

Ken Guy

GENERAL SECRETARY

Kathie Burton

GOVERNING DOCUMENT

Memorandum of Association

CONSTITUTION

Company limited by guarantee

TRUSTEES, OFFICERS AND PROFESSIONAL ADVISERS (continued)

REGISTERED OFFICE

Bristol House
40-56 Victoria Street
Bristol
BS1 6BY

BANKERS

Triodos Bank
Brunel House
11 The Promenade
Bristol
BS8 3NN

SOLICITORS

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

Burges Salmon
Narrow Quay House
Narrow Quay
Bristol
BS1 4AH

AUDITORS

Deloitte & Touche LLP
Queen Anne House
69-71 Queen Square
Bristol

TRUSTEES' REPORT

The trustees present their annual report and the consolidated audited financial statements of the group for the year ended 31 March 2004. The trustees have adopted the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in October 2000 in preparing the annual report and financial statements of the charity.

LEGAL AND ADMINISTRATIVE DETAILS

The company is registered as a charity, number 206862, and is limited by guarantee, number 409726. Legal and administrative information is set out on pages 1 and 2 and forms part of this report. The governing body of the charity is the council of trustees and its governing documents are the memorandum and articles of association.

PRINCIPAL ACTIVITIES

The Soil Association was founded in 1946 by Lady Eve Balfour, bringing together farmers, scientists and nutritionists concerned about the impact of intensive farming practices on the environment, food quality and health. Since then the Association has increasingly challenged the dominance of industrial agriculture, associated as it is with degradation of the countryside, increases in diet-related illness, mistreatment of animals and the betrayal of public trust in food.

Fifty years on, the Soil Association has become one of the UK's most respected environmental groups, a not-for-profit membership organisation and charity, playing a crucial role in the transformation of attitudes to food and farming in the UK and internationally.

We work with the public, farmers, growers, food processors, retailers, consumers and policy makers. Our mission is to bring about change by creating a growing body of public opinion that understands the links between farming practice and food, and between plant, animal, human and environmental health.

The Soil Association works with the backing of its members, supporters and partners in:

- *Raising awareness.* We publicise the wide benefits of sustainable, organic agriculture – through the media, direct to the public through events and seminars, and through widely respected policy reports. We have become a highly respected information source on the environment, human health, animal welfare and community benefits of organic farming.
- *Education.* Our network of 55 demonstration farms open to the public is supported by curriculum-linked materials for schools, a comprehensive website, helplines and numerous technical publications.
- *Lobbying for change.* We liaise with government and non-government organisations to improve the policy climate for sustainable, organic agriculture.
- *Promoting local food.* We work with hundreds of local partners to support local food initiatives such as box schemes, farmers' markets, co-operatives, community-supported agriculture and direct marketing projects.
- *Transforming food provision in schools and hospitals.* We are establishing healthy, local and organic food schemes in partnership with a number of public institutions, to improve public health.
- *Supporting farmers.* We advise and represent Britain's community of organic farmers and growers.
- *Safeguarding integrity.* We lead the field in setting and developing organic standards that are trusted by consumers.
- *Inspection and certification.* Our distinctive symbol is a hallmark of integrity and consumer trust, backed by rigorous inspection and certification of organic food production.
- *Pioneering sustainable agriculture worldwide.* We lead in the establishment of international organic standards, and work with developing countries to establish organic markets.

TRUSTEES' REPORT (continued)

FINANCIAL REVIEW

The charity's income grew from £7,074,000 to £7,456,000, which represents year on year growth of over 5%, which is a significant achievement at a time when fundraising is becoming increasingly difficult.

Income from donations and gifts increased by 8% year on year, which is an encouraging result when trusts are feeling the adverse effect of volatile stock markets and increasing tax burdens.

There have also been some considerable successes in the area of grants receivable which has increased by £174,000 or 14%. We have been working with many of the Regional Development Agencies within the English regions as well as the national government agencies within England, Scotland, Wales and Northern Ireland, with a particular emphasis on bringing together organic producers and processors to supply the local economy with quality organic produce.

Certification income stabilised this year after several years of significant growth as the certification market reached maturity. The subsidiary retained its market share and is optimistic about future prospects in non-food organic product certification.

The membership income growth of £266,000 or 48% resulted from recruitment activity both in 2003/04 and the previous year in developing our monthly direct debit scheme, and the results of those efforts have shown in this excellent result.

Charitable expenditure has grown this year by £481,000 or 7%. All programme areas, with the exception of membership, have grown quite modestly as the association has been forced to limit expansion due to financial constraints. The reduction in membership expenditure was a result of the phasing of recruitment activity over the two years rather than a reduction in activity.

The emphasis in our programmes has been on the development of the organic supply chain, including public procurement, to maximise the availability of locally sourced products. Increased activity in policy and campaigns, producer services, national & regional development and local food support this policy aim.

RESERVES POLICY

The general unrestricted fund is held to support administration and overhead costs, and to act as back up should any project need funding. The intention is that this should be grown and maintained in surplus. Such unrestricted income is expendable at the discretion of trustees in the furtherance of the objects of the charity and may be held to finance both working capital and capital investment. Other funds are specifically restricted to identified projects.

The overall reserves figure has increased this year from £785,000 to £819,000 of which £773,000 is designated as unrestricted.

This reserves figure covers 56 days of operating costs compared to 58 days at the start of the year. It is the wish of the Trustees that the charity aims to have 100 days' operating costs held in unrestricted reserves, but this has proved to be a stretching task given the organisation's aspirations for work programmes over the last three years. It is therefore the view of the Trustees that we need to embark on a major fundraising campaign to fund our expanding programmes whilst also consolidating our reserves position.

TRUSTEES' REPORT (continued)

RISK MANAGEMENT

The trustees have overall responsibility for ensuring that the charity has an appropriate system of controls, financial and otherwise. The systems of financial control are designed to provide reasonable, but not absolute, assurance against material misstatement or loss. They include:

- an annual budget approved by the trustees;
- regular consideration by the trustees of financial results and variance from budgets;
- delegation of authority and segregation of duties, and;
- identification and management of risks.

The trustees have reviewed major risks and established systems together with appropriate monitoring procedures as a means to mitigate them.

INVESTMENT POLICY

The trustees have powers within the memorandum of association to invest surplus funds providing the Association does not undertake any substantial permanent trading activities.

The Association currently has a relatively small investment holding and does not retain professional investment managers.

The trustees will accept a bequest or gift of shares but reserve the right to liquidate those shares at any time unless the transfer imposes a condition to the contrary.

FUTURE PROSPECTS

The single most important aim of the Soil Association is giving the public the facts about intensive farming, and presenting them with the alternative, organic farming. Only then can the public make up its own mind about what food they can trust, and how they feed their children. Never has this been more true than in the last year, when our Food for Life campaign for healthy local and organic school meals struck a chord with the nation, and made those in power listen.

We have earned the trust of the public. This is a huge responsibility. We have never lost sight of our deeply held convictions while moving closer to positions of influence. But there is a great deal still to be done. Over the coming years, our aim is to scale up our activities by entering a phase of intensive fundraising to back vital new initiatives.

GOVERNANCE

The membership of the council as at 31 March 2004 is set out on page 1.

The Soil Association has a council of trustees, elected by the charity's members, who in turn elect the chairperson and management committee. Executive responsibility rests with the director and senior management team who report to the management committee.

Professional advisers are as set out on page 2.

TRUSTEES' REPORT (continued)

AUDITORS

Deloitte & Touche LLP have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

The Report was approved by the Trustees on 20th July 2004
and signed on behalf of the Council

A handwritten signature in black ink, appearing to read 'K Guy', is written over a horizontal line.

K Guy
Secretary

STATEMENT OF TRUSTEES' RESPONSIBILITIES

United Kingdom company law requires the directors who are also the trustees, to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company and the group as at the end of the financial year and of the profit or loss of the group for that year. In preparing those financial 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 have been followed; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the group will continue in business.

The trustees 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. They are also responsible for the system of internal control, safeguarding the assets of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF
THE SOIL ASSOCIATION LIMITED**

We have audited the financial statements of The Soil Association Limited for the year ended 31 March 2004 which comprise the consolidated statement of financial activities, the balance sheets, the consolidated cash flow statement and the related notes 1 to 21. These financial statements have been prepared under the accounting policies set out therein.

This report is made solely to the company'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 company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company'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 trustees' responsibilities, the company's trustees are responsible for the preparation of financial statements which are required to be prepared in accordance with applicable United Kingdom law and accounting standards. Our responsibility is to audit the financial statements in accordance with relevant United Kingdom legal and regulatory requirements and auditing standards.

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

We read the trustees' report for the above year and consider the implications for our report if we become aware of any apparent misstatements.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom 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 circumstances of the company and the group, 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 the group as at 31 March 2004 and of the incoming resources and application of resources, including the income and expenditure, of the charity and the group for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

**DELOITTE & TOUCHE LLP**

Chartered Accountants and Registered Auditors

Bristol

21 July 2004

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
(incorporating an income and expenditure account)
Year ended 31 March 2004

	Note	Unrestricted funds	Restricted funds	Total	Restated (Note 1)
		£	£	2004 £	2003 £
Incoming resources					
Donations and gifts		587,362	535,986	1,123,348	1,040,596
Legacies	2	55,981	-	55,981	98,926
Activities in furtherance of the charity's objects:					
Grants receivable		283,468	1,168,516	1,451,984	1,278,192
Certification income		3,266,536	-	3,266,536	3,297,522
Income from activities		498,386	152,004	650,390	707,065
Membership		818,014	-	818,014	552,295
Activities for generating funds:					
Mail order sales		80,796	-	80,796	85,211
Interest receivable		9,250	-	9,250	14,009
Total incoming resources		5,599,793	1,856,506	7,456,299	7,073,816
Resources expended					
Cost of generating funds:					
Fund raising		229,452	57,584	287,036	282,459
Mail order costs		79,807	-	79,807	100,312
		309,259	57,584	366,843	382,771
Charitable expenditure					
Cost of activities in furtherance of the Charity's objects:					
Education and awareness		428,246	171,542	599,788	573,670
Policy and campaigns		178,381	163,800	342,181	265,389
Standards development		158,191	-	158,191	124,682
Producer services		78,040	544,482	622,522	492,340
National and regional development		200,091	439,481	639,572	545,462
Local food		-	249,455	249,455	211,124
Shows and events		270,031	138,754	408,785	309,402
Membership		496,869	-	496,869	551,785
Certification costs		2,993,948	-	2,993,948	2,990,212
Support costs		379,417	-	379,417	364,021
Management and administration		107,291	63,387	170,678	152,390
		5,290,505	1,770,901	7,061,406	6,580,477
Total resources expended	4	5,599,764	1,828,485	7,428,249	6,963,248

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES
(incorporating an income and expenditure account) (continued)
Year ended 31 March 2004

	Note	Unrestricted funds £	Restricted funds £	Total 2004 £	Total 2003 £
Net incoming resources	4	29	28,021	28,050	110,568
Net gain/(losses) on investment assets	11	6,317	-	6,317	(7,540)
Net surplus		6,346	28,021	34,367	103,028
Surplus brought forward		766,957	18,136	785,093	682,065
Surplus carried forward	18	773,303	46,157	819,460	785,093

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
At 31 March 2004

	Note	2004 £	2003 £
FIXED ASSETS			
Tangible assets	8	177,513	109,497
CURRENT ASSETS			
Stocks	9	17,630	21,586
Debtors	10	1,154,687	1,269,800
Investments	11	44,605	38,288
Cash at bank and in hand		267,545	429,966
		1,484,467	1,759,640
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	12	(815,774)	(953,543)
NET CURRENT ASSETS		668,693	806,097
TOTAL ASSETS LESS CURRENT LIABILITIES		846,206	915,594
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	13	(26,746)	(129,575)
PROVISIONS FOR LIABILITIES AND CHARGES	15	-	(926)
		(26,746)	(130,501)
TOTAL NET ASSETS		819,460	785,093
FUNDS AND RESERVES			
Unrestricted funds	18	773,303	766,957
Restricted funds	18	46,157	18,136
TOTAL FUNDS	18	819,460	785,093

These financial statements were approved by the Trustees on

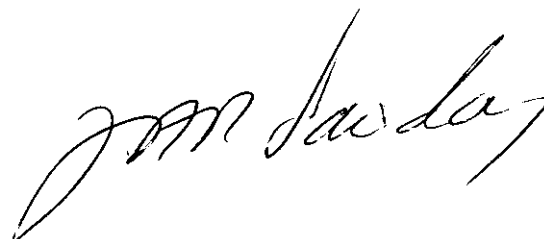
20th July 2004

Signed on behalf of the Board

C Sams
Trustee



A Sawday
Trustee



COMPANY BALANCE SHEET
At 31 March 2004

	Note	2004 £	2003 £
FIXED ASSETS			
Investments	7	104	104
Tangible assets	8	158,043	95,163
		<u>158,147</u>	<u>95,267</u>
CURRENT ASSETS			
Debtors	10	1,127,491	1,030,827
Investments	11	44,605	38,288
Cash at bank and in hand		68,530	307,213
		<u>1,240,626</u>	<u>1,376,328</u>
CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR	12	<u>(587,444)</u>	<u>(575,573)</u>
NET CURRENT ASSETS		<u>653,182</u>	<u>800,755</u>
TOTAL ASSETS LESS CURRENT LIABILITIES		<u>811,329</u>	<u>896,022</u>
CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR	13	<u>(26,746)</u>	<u>(129,575)</u>
TOTAL NET ASSETS		<u>784,583</u>	<u>766,447</u>
FUNDS AND RESERVES			
Unrestricted funds	18	738,426	748,311
Restricted funds	18	46,157	18,136
TOTAL FUNDS		<u>784,583</u>	<u>766,447</u>

These financial statements were approved by the Trustees on

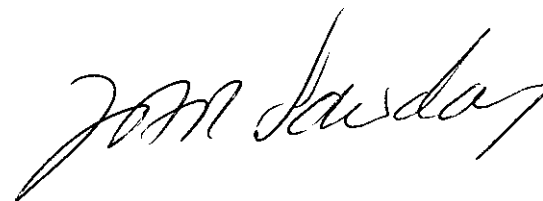
20th July 2004

Signed on behalf of the Board

C Sams
Trustee



A Sawday
Trustee



CONSOLIDATED CASH FLOW STATEMENT
Year ended 31 March 2004

	Note	2004 £	2003 £
Net cash inflow/(outflow) from operating activities	20	185,158	(141,031)
Capital expenditure and financial investment			
Payments to acquire tangible fixed assets	8	(135,750)	(53,583)
Net cash outflow from capital expenditure and financial investment		(135,750)	(53,583)
	20	49,408	(194,614)
Financing			
Debt due within one year			
(Decrease)/increase in short term borrowings		(109,000)	186,209
Debt due after more than one year			
(Decrease)/increase in long term borrowings		(102,829)	1,126
Finance lease repayments		-	(9,396)
Net cash (outflow)/inflow from financing		(211,829)	177,939
Decrease in cash in year	20	(162,421)	(16,675)

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

1. ACCOUNTING POLICIES

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 in accordance with 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.

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.

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.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 March 2004

1. ACCOUNTING POLICIES (continued)

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 life as follows:

Leasehold improvements	evenly over the lease term
Office furniture and fittings	five years straight line method
Office equipment and software	three years straight line method

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.

Stock

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

Pension costs

The group contributes to a money purchase scheme to which the employee contributes an equal amount. The amount charged to the SOFA is the contribution payable in the year. The group has no other pension liability.

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.

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.

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 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 trustees, there is a reasonable probability that an asset or liability will crystallise in the foreseeable future.

Restatement of comparatives – Total Resources Expended

Items of expenditure which involve more than one cost category have been apportioned on a reasonable and justifiable basis in accordance with SORP guidelines. The figures reported for 2003 have been restated to reflect this change and provide consistent comparative information.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

1. ACCOUNTING POLICIES (continued)

Membership income

Annual membership subscriptions are accounted for on a cash received basis because there are non-refundable.

Support costs

Support costs include the remaining salary cost (after direct attribution to relevant departments) of the support teams (finance, human resources and information technology) and a proportion of premise costs for these staff.

Management and Administration costs

These costs include a proportion of salary costs for the officers of the company in line with the time spent on statutory and constitutional matters. In line with this an apportionment of premises costs is included. Also included are the audit costs, bank charges, legal costs, insurance costs, and the cost of trustees meetings.

2. LEGACIES

No accrual for legacies not received by 31 March 2004 has 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:

	2004 No.	2003 No.
Direct charitable	164	153
Fundraising and mail order	5	5
Management and administration	1	1
	<u>170</u>	<u>159</u>

The aggregate payroll costs were as follows:

	2004 £	2003 £
Wages and salaries	3,560,804	3,331,410
Social security costs	481,418	416,056
	<u>4,042,222</u>	<u>3,747,466</u>

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

	2004 No.	2003 No.
£50,001 - £60,000	2	2
£60,000 - £70,000	1	1
£70,000 - £80,000	1	1
	<u>4</u>	<u>4</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

4. NET INCOMING RESOURCES AND
TOTAL RESOURCES EXPENDED

	Staff costs £	Other direct costs £	Total 2004 £	Restated 2003 £
Fund raising	168,551	118,485	287,036	282,459
Mail order costs	7,200	72,607	79,807	100,312
Education and awareness	420,462	179,326	599,788	573,670
Policy and campaigns	187,041	155,140	342,181	265,389
Standards development	79,765	78,426	158,191	124,682
Producer services	340,747	281,775	622,522	492,340
National and regional development	179,894	459,678	639,572	545,462
Local food	194,806	54,649	249,455	211,124
Shows and events	47,352	361,433	408,785	309,402
Membership	115,715	381,154	496,869	551,785
Certification costs	1,970,679	1,023,269	2,993,948	2,990,212
Support costs	270,849	108,568	379,417	364,021
Management and administration:	59,161	111,517	170,678	152,390
	<u>4,042,222</u>	<u>3,386,027</u>	<u>7,428,249</u>	<u>6,963,248</u>

Net incoming resources before transfers is stated after charging the following:

	2004 £	2003 £
Auditors' remuneration	14,500	14,000
Depreciation of owned assets	67,255	89,349
Depreciation of leased assets and assets which are subject to hire purchase contracts	479	9,204
Interest payable on leases	-	1,229
	<u></u>	<u></u>

5. TRUSTEES' REMUNERATION

The trustees neither received nor waived any emoluments during the year (2003: £Nil).

Out of pocket expenses were reimbursed to 16 trustees (2003: nine) as follows:

	2004 £	2003 £
Travel	<u>12,924</u>	<u>7,690</u>

6. TAXATION

The Association is a registered charity and under section 505 of the Income and Corporation Taxes Act (ICTA) 1988 is exempt from payment of corporation and capital gains taxes on its charitable activities.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

7. FIXED ASSET INVESTMENTS

Subsidiary undertakings	£
Cost and net book value at 1 April 2003 and 31 March 2004	104

The charity owns the whole of the issued ordinary share capital of Soil Association Certification Limited and SA Sales and Services Limited, companies which are incorporated in the UK. Soil Association Certification Limited licenses commercial food production to the highest organic standards and licenses sustainable forestry. SA Sales and Services Limited operates a mail order service.

Soil Association Certification Limited and SA Sales and Services Limited both gift aid most of their 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.

	Soil Association Certification Limited £	SA Sales and Services Limited £	2004 Total £	2003 Total £
Profit and loss account				
Income from sales	3,266,536	273,991	3,540,527	3,562,944
Grants receivable	283,468	-	283,468	315,042
Turnover	3,550,004	273,991	3,823,995	3,877,986
Cost of sales	(1,240,068)	(57,872)	(1,297,940)	(1,305,676)
Gross profit	2,309,936	216,119	2,526,055	2,572,310
Administration	(2,167,861)	(24,736)	(2,192,597)	(2,161,886)
Interest receivable	1,104	5,312	6,416	4,641
Interest payable	(4,000)	-	(4,000)	-
Net profit	139,179	196,695	335,874	415,065
Amount paid by gift aid to The Soil Association Limited	(123,463)	(194,195)	(317,658)	(405,065)
Taxation	(1,882)	-	(1,882)	-
Retained in subsidiaries	13,834	2,500	16,334	10,000
Balance sheet				
Fixed assets	19,470	-	19,470	14,334
Current assets	727,418	210,961	938,379	1,020,173
Current liabilities	(719,958)	(202,911)	(922,869)	(1,014,935)
Long term assets/(liabilities)	26,930	8,050	34,980	19,572
Net assets	26,930	8,050	34,980	18,646

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

8. TANGIBLE FIXED ASSETS

	Leasehold improvements £	Office furniture and fittings £	Office equipment and software £	Total £
Group				
Cost				
At 1 April 2003	48,741	87,995	371,228	507,964
Additions	-	-	135,750	135,750
At 31 March 2004	48,741	87,995	506,978	643,714
Depreciation				
At 1 April 2003	43,480	64,539	290,448	398,467
Charge for year	1,411	15,096	51,227	67,734
At 31 March 2004	44,891	79,635	341,675	466,201
Net book value				
At 31 March 2004	3,850	8,360	165,303	177,513
At 31 March 2003	5,261	23,456	80,780	109,497

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

	2004 £	2003 £
Office equipment and software net book values	..	479

	Leasehold improvements £	Office furniture and fittings £	Office equipment and software £	Total £
Company				
Cost				
At 1 April 2003	48,741	87,995	255,053	391,789
Additions	-	-	119,432	119,432
At 31 March 2004	48,741	87,995	374,485	511,221
Depreciation				
At 1 April 2003	43,480	64,539	188,607	296,626
Charge for year	1,411	15,096	40,045	56,552
At 31 March 2004	44,891	79,635	228,652	353,178
Net book value				
At 31 March 2004	3,850	8,360	145,833	158,043
At 31 March 2003	5,261	23,456	66,446	95,163

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

9. STOCKS

	Group	
	2004 £	2003 £
Books, leaflets and stationery	17,630	21,586

10. DEBTORS

	Group		Company	
	2004 £	2003 £	2004 £	2003 £
Trade debtors	685,057	787,872	133,759	127,699
Amounts owed by subsidiaries	-	-	644,539	646,020
Taxes and social security	-	99,653	-	40,497
Prepayments and accrued income	469,630	382,275	349,193	216,611
	<u>1,154,687</u>	<u>1,269,800</u>	<u>1,127,491</u>	<u>1,030,827</u>

11. CURRENT ASSET INVESTMENTS

Group and Company	2004 £	2003 £
Market value at start of year	38,288	45,828
Net gain/(loss) for the year	6,317	(7,540)
Market value at 31 March	<u>44,605</u>	<u>38,288</u>
Historic cost at 31 March	<u>22,944</u>	<u>22,944</u>
Unrealised gains at 31 March	<u>21,661</u>	<u>15,344</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 2004.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

12. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Notes	Group		Company	
		2004 £	2003 £	2004 £	2003 £
Other loans	14	91,000	200,000	91,000	200,000
Trade creditors		251,463	284,333	222,961	206,853
Corporation tax payable		887	288	-	-
Other taxes and social security		180,621	288,664	59,073	50,706
Other creditors		62,730	54,817	55,541	15,465
Accruals and deferred income		229,073	125,441	158,869	102,549
		<u>815,774</u>	<u>953,543</u>	<u>587,444</u>	<u>575,573</u>

13. CREDITORS: AMOUNTS FALLING DUE AFTER MORE THAN ONE YEAR

	Notes	Group		Company	
		2004 £	2003 £	2004 £	2003 £
Other loans	14	26,596	129,425	26,596	129,425
3% perpetual debentures		150	150	150	150
		<u>26,746</u>	<u>129,575</u>	<u>26,746</u>	<u>129,575</u>

14. BORROWINGS

Group

The aggregate amount of borrowings was as follows:

	2004 £	2003 £
Falling due within one year:		
Other loans	91,000	200,000
Obligations under lease and hire purchase contracts	-	-
	<u>91,000</u>	<u>200,000</u>
Falling due after more than one year:		
Other loans – repayable within five years	26,596	129,425
3% perpetual debentures	150	150
	<u>26,746</u>	<u>129,575</u>
Aggregate amounts	<u>117,746</u>	<u>329,575</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

15. PROVISIONS 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:

	Provided		Unprovided	
	2004	2003	2004	2003
	£	£	£	£
Group position				
Capital allowances in advance of depreciation	-	926	-	-

16. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

There were no capital commitments or contingent liabilities at the balance sheet date (2003: £nil).

17. LEASING COMMITMENTS

Annual commitments under non-cancellable operating leases are as follows:

	2004		2003	
	Land and buildings	Other	Land and buildings	Other
	£	£	£	£
Group				
Expiry date:				
- within one year	-	23,093	53,461	20,321
- between two and five years	135,790	51,461	53,461	51,697
	<u>135,790</u>	<u>74,554</u>	<u>106,922</u>	<u>72,018</u>
Company				
Expiry date:				
- within one year	-	-	53,461	-
- between two and five years	135,790	-	53,461	-
	<u>135,790</u>	<u>-</u>	<u>106,922</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

18. TOTAL FUNDS

Group

	Balance at 31 March 2003 £	Incoming resources £	Resources expended £	Realised and unrealised gains/(losses) and taxation £	Balance at 31 March 2004 £
Charitable funds	766,957	5,509,747	5,522,458	6,317	760,563
Non-charitable funds	-	90,046	77,306	-	12,740
Unrestricted funds	766,957	5,599,793	5,599,764	6,317	773,303
Fundraising	-	57,584	57,584	-	-
Education and awareness	-	177,149	171,542	-	5,607
Policy and campaigns	10,000	153,800	163,800	-	-
Producer services	-	544,482	544,482	-	-
National and regional development	6,136	433,345	439,481	-	-
Local food	-	153,417	114,867	-	38,550
Shows and events	-	138,754	138,754	-	-
Administration and support	-	63,387	63,387	-	-
Dougal Campbell	2,000	-	-	-	2,000
Community Fund	-	134,588	134,588	-	-
Restricted funds	18,136	1,856,506	1,828,485	-	46,157
Total funds	785,093	7,456,299	7,428,249	6,317	819,460

Company

Charitable funds	748,311	1,918,552	1,937,588	6,317	735,592
Non-charitable funds	-	2,834	-	-	2,834
Unrestricted funds	748,311	1,921,386	1,905,654	6,317	738,426
Restricted funds	18,136	1,704,502	1,676,481	-	46,157
Total funds	766,447	3,625,888	3,614,069	6,317	784,583

Restricted funds

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

Fundraising

This fund is used to finance the development costs of a major appeal that will be launched in 2004/05.

Education and awareness

These funds support some of the charity's information building and educational work including the provision of local educational facilities through the demonstration organic farms network.

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

18. TOTAL FUNDS (continued)

Policy and campaigns

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

Producer services

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

National and regional development

These funds are used to develop a presence in the devolved nations and the english regions to ensure that services are provided locally to meet the specific needs of the area.

Local food

This fund supports local organic and sustainable food production and distribution.

Shows and events

These funds are used on specific events that develop public awareness of organic food or develop the skills and expertise of farmers.

Administration and support

This fund is utilised to strengthen the central management team.

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.

Community Fund

This fund supports the establishment of relationships between producers and local community groups.

19. NET ASSETS BY FUND

	Fixed Assets £	Net current assets £	Long term creditors £	Provisions £	Total £
Unrestricted funds	177,513	622,536	26,746	-	773,303
Restricted funds	-	46,157	-	-	46,157
Total group funds	177,513	668,693	26,746	-	819,460

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

20. CASH FLOW INFORMATION FOR THE GROUP

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

	2004 £	2003 £
Net incoming resources before revaluations	28,050	110,568
Depreciation	67,734	98,553
Decrease in stocks	3,956	6,252
Decrease/(increase) in debtors	115,113	(468,817)
(Decrease)/increase in creditors	(28,769)	112,413
Decrease in provisions	(926)	-
Net cash inflow/(outflow) from operating activities	185,158	(141,031)

Reconciliation of net cash flow to movement in net funds

	2004 £	2003 £
Decrease in cash in the year	(162,421)	(16,675)
Net cash outflow/(inflow) from decrease/(increase) in debt financing	211,829	(187,335)
Net cash outflow from decrease in lease financing	-	9,396
Movement in net funds in the year	49,408	(194,614)
Net funds at beginning of year	100,391	295,005
Net funds at end of year	149,799	100,391

Analysis of net funds

	1 April 2003 £	Cash flow £	31 March 2004 £
Cash at bank and in hand	429,966	(162,421)	267,545
Debt due within one year	(200,000)	109,000	(91,000)
Debt due after one year	(129,575)	102,829	(26,746)
	100,391	49,408	149,799

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

NOTES TO THE FINANCIAL STATEMENTS
Year ended 31 March 2004

21. RELATED PARTY TRANSACTIONS

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

The Soil Association Limited 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.

	2004	2003
	£	£
Sales to Council members	1,524	2,843
Purchase from Council members	19,527	7,097
Subsidiary company sales to Council members	10,955	66,384
Subsidiary company purchases from Council members	30,769	24,889
	<u> </u>	<u> </u>