

GARVALD HOME FARM LIMITED
A Company limited by guarantee
And not having a Share Capital

(Charity Registration No. 15243)

REPORT AND FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 AUGUST 2005



DOLPHINTON, WEST LINTON, PEEBLESSHIRE EH46 7HJ

Directors: James Anderson
John Brett
Shelagh Brett (Shelagh died September 2005)
Shelagh Bryden
Nan Burnett
Peter Darwell
Elizabeth Dow
Jane Jackson
Rosemary Soutter
David Suckling (Retired 4 May 2005)
Huw Sheppard

Secretary: Jane Jackson

Treasurer: James Anderson C.A.

Residential Manager: Bridget Beagan

Farm Manager: Colum Beagan

Solicitors: Lindsays W.S.
11 Atholl Crescent
EDINBURGH EH3 8HE

Bankers: The Royal Bank of Scotland Plc
17 Comiston Road
EDINBURGH EH10 6AA

Registered Auditors: Alexander Sloan
Chartered Accountants
1 Atholl Place
EDINBURGH EH3 8HP

Registered Office: Garvald Home Farm
DOLPHINTON
West Linton EH46 7HJ

Company Registration No: 108570 (Scotland)

Charity Registration No: SCO 15243

Governing Document: Memorandum and Articles of Association

**Report of the Directors
For the Year ended 31 August 2005**

Reference and Administrative Details

The information relating to Garvald Home Farm Limited is contained on page 1.

Structure Governance and Management

Governing Document

Memorandum and Articles of Association.

Appointment of new Directors

Directors are appointed at the Company's Annual General meeting. Directors can be co-opted during the year and these new appointments stand for re-election at the following Annual General meeting.

Recruitment of new Directors

The Directors are recruited to maintain a balance of skills within the Board. Most appointments come from parties who already know the work of Garvald Home Farm and who have visited and attended events held at the Farm.

Induction and Training of Directors

Training publications are made available to directors to assist them to carry out their duties and understand their responsibilities.

Structure

The Board of Directors appoint the residential and farm managers, carry out financial management and is available to assist the managers on more complex issues. The managers are responsible for placement of residents, the engagement and training of staff and the day to day management of the residential home and farm. The Directors meet on average six occasions a year to receive reports from the managers and to carry out management and financial reviews.

Risk Management

The Directors are satisfied that the major risks to which the charity is exposed have been reviewed and procedures have been established to manage these risks.

Report of the Directors (Continued)**Objectives and Activities**

Garvald Home Farm offers long term homes and work in an agricultural setting for a small community of adults with special needs and co-workers. The whole enterprise is founded on the philosophy of Rudolf Steiner and the farm follows the bio-dynamic method of agriculture. The aim is to grant people with learning difficulties an independent life style at a level they can sustain and to allow them to experience at first hand basic farming activities. At the commencement of the year the average resident number fell by one to seven and resulted in a reduction of core income. This reduction was balanced by savings in expenditure. In September 2005 a new resident joined the group thereby restoring the resident numbers to a full complement.

Achievements and Performance

Due to the reduction in resident numbers throughout the year, care had to be exercised in making spending decisions. As a result expenditure on property refurbishment was put back to a later period. However the main objectives of maintaining a small community was enhanced and the farm again made steady progress with its sales of livestock and dairy products.

Financial Review

The free reserves as at 31 August 2005 amount to £81,026. This sum amounts to 36% of expenditure or expenditure for four months. The directors consider that the aim should be for reserves to be at a level at least to allow the company to operate from year to year. It is not considered that the reserves are sufficient for this purpose.

The financial statements follow on pages 8 to 17. These statements are prepared in terms of the Statement of Recommended Practice 2005 – Accounting and Reporting by Charities and the Companies Act 1985.

The principle funding sources are fees received from local authorities and central government state benefits from residents, together with the sale of farm produce. The expenditure made to support residential care and farming activities is described in the statement of financial activities.

Plans for Future Periods

The charity plans to work in a meaningful way with residents in order to secure a long term independent future for them. The charity also aims to improve the farm output of bio-dynamic products.

Several areas of improvement expenditure are required and it is the aim to plan outlays in cattle housing, staff accommodation and upgrade the sewage system.

Report of the Directors (Continued)

Directors

The directors who served during the year are shown on Page 1.

Hugh Sheppard, James Anderson and John Brett retire by rotation and being eligible offer themselves for re-election.

No director is remunerated for his/her services as a director.

Share Capital

The company is limited by guarantee and has no share capital.

Auditors

Messrs Alexander Sloan are willing to continue in office and resolutions will be proposed at the Annual General Meeting to re-appoint them and to authorise the council to fix their remuneration.

By Order of the Board



**Jane Jackson
Secretary**

2 June 2006

Statement of Directors Responsibilities

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

- select suitable accounting policies and then apply them consistently;
- make judgments and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

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

By Order of the Board



**Jane Jackson
Secretary**

2 June 2006

We have audited the financial statements of Garvald Home Farm Limited for the year ended 31 August 2005 on pages 8 to 17. These financial statements have been prepared under the historical cost convention and 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 auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the 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 directors and auditors

As described in the Statement of Directors' responsibilities the company's directors are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom 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 to you if, in our opinion, the Directors' 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 directors' remuneration and transactions with the company is not disclosed.

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

Basis of Audit Opinion

We conducted our audit in accordance with 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 judgments made by the directors in the preparation of the financial statements, and if whether the accounting policies are appropriate to the company'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..... (Continued)

Opinion..... (Continued)

In our opinion, the financial statements give a true and fair view of the state of the company's affairs at 31 August 2005 and of its surplus for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Alexander Sloan

Alexander Sloan
Chartered Accountants
and Registered Auditors
1 Atholl Place
EDINBURGH
EH3 8HP

2 June 2006

**Income and Expenditure Account
For the Year ended 31 August 2005**

	Notes	2005 £	2004 £
Incoming Resources			
Voluntary income	2	-	530
Investment income	2	1,157	290
Incoming resources from Charitable activities	2	238,850	273,557
		<u>240,007</u>	<u>274,377</u>
Resources Expended			
Cost of activities			
Staff costs	13	96,667	102,249
Farm costs	14	26,600	37,466
Household	15	38,737	37,745
Residents	16	17,846	24,469
Other direct costs	17	34,383	36,545
Non recurring expenditure	18	1,158	4,899
Depreciation	19	9,251	10,780
		<u>224,642</u>	<u>254,153</u>
Governance costs	20	1,300	900
		<u>225,942</u>	<u>255,053</u>
Surplus for the Year	5	<u>14,065</u>	<u>19,324</u>

The results set out in the income and expenditure account above derive wholly from the continuing operations of the company.

The company has further recognised gains and losses which are disclosed in the Statement of Financial Activities shown on page 9.

Statement of Financial Activities
For the Year ended 31 August 2005

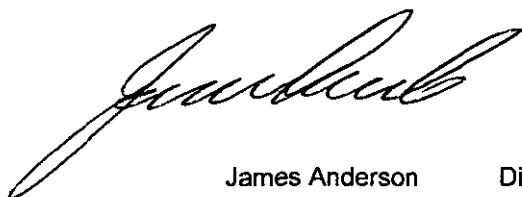
		General £	Unrestricted Funds Designated £	Restricted Capital Fund £	Total £	2004 £
Notes						
Incoming Resources						
Voluntary income	2	-	-	-	-	530
Investment income	2	1,157	-	-	1,157	290
Incoming resources from Charitable activities	2	238,850	-	-	238,850	273,557
		<u>240,007</u>	<u>-</u>	<u>-</u>	<u>240,007</u>	<u>274,377</u>
Resources Expended						
Cost of charitable activities	13-19	224,642	-	3,255	227,897	257,408
Governance costs	20	1,300	-	-	1,300	900
		<u>225,942</u>	<u>-</u>	<u>3,255</u>	<u>229,197</u>	<u>258,308</u>
Net Incoming (Outgoing) Resources		14,065	-	(3,255)	10,810	16,069
Transfers in respect of fixed asset movements		<u>(4,526)</u>	<u>4,526</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net movement in funds		9,539	4,526	(3,255)	10,810	16,069
Balance 31 August 2004		<u>71,487</u>	<u>14,561</u>	<u>54,102</u>	<u>140,150</u>	<u>124,081</u>
Balance 31 August 2005		<u>81,026</u>	<u>19,087</u>	<u>50,847</u>	<u>150,960</u>	<u>140,150</u>
Represented by:						
Tangible fixed assets		-	27,755	42,323	70,078	77,927
Hire purchase creditors		-	(8,668)	-	(8,668)	(17,788)
Net current assets		<u>81,026</u>	<u>-</u>	<u>8,524</u>	<u>89,550</u>	<u>80,011</u>
		<u>81,026</u>	<u>19,087</u>	<u>50,847</u>	<u>150,960</u>	<u>140,150</u>

A statement of each fund is shown in note 12.

Balance Sheet
As at 31 August 2005

	Notes	2005 £	2004 £
Fixed Assets			
Tangible assets	11	70,078	77,927
Current Assets			
Stocks	6	37,895	37,062
Debtors	7	18,931	36,096
Cash at bank & on hand		53,818	28,296
		110,644	101,454
Creditors			
Amounts falling due within one year	8	26,630	30,564
Net Current Assets		84,014	70,890
Total Assets less Current Liabilities		154,092	148,817
Creditors			
Amounts falling due outwith one year	9	3,132	8,667
		150,960	140,150
Funds			
Unrestricted funds	12	100,113	86,048
Restricted funds	12	50,847	54,102
		150,960	140,150

The financial statements on pages 8 to 17 were approved and signed on behalf of the board of directors on 2 June 2006.



James Anderson

Director

**Notes to the Financial Statements
For the Year ended 31 August 2005**

1. Accounting Policies

a) Basis of Accounting

The company prepares its financial statements on the historical cost basis and in accordance with applicable accounting standards and the Statement of Recommended Practice (revised 2005) – Accounting and Reporting by Charities.

b) Depreciation

Depreciation is calculated to write off the cost of fixed assets over their expected useful economic lives. The annual rates used on fixed assets are as follows.

Tenants improvements	20 years straight line
Tractor & implements	25% reducing balance
Motor vehicles	25% reducing balance

c) Stock & Livestock

Livestock on hand at the close of the financial year is valued at market value less 25%.

d) Leasing and Hire Purchase Commitments

Assets obtained under hire purchase contracts and finance leases are capitalised as tangible assets and depreciated over the shorter of the lease term and their useful lives. Obligations under such agreements are included in creditors net of the finance charge allocated to future periods. The finance element of the rental payment is charged to the profit and loss account so as to produce constant periodic rates of charge on the net obligations outstanding in each period.

Rentals applicable to operating leases, where substantially all of the benefits and risks of ownership remain with the lessor, are charged against profits as incurred.

e) Pension Costs

The company makes contributions to a money purchase group personal pension scheme, contributions are charged against profits on the amounts payable for the year.

f) Income

Fees and other income are stated at the amounts receivable for the year.

g) Expenditure

All expenditure is included on the accruals basis and has been directly attributed to one of the financial categories of resources expended in the Income & Expenditure Account and Statement of Financial Activities.

h) Taxation

No provision for corporation tax is necessary as the company has charitable status.

Notes to the Financial Statements (Continued)

2. Incoming Resources

The company's turnover consists of residential fees issued to local authorities and individuals in respect of persons with special needs and of sales of farm produce and livestock. An analysis of income is as undernoted:

	2005 £	2004 £
Voluntary income		
Donations	-	530
Investment income		
Bank interest	1,157	290
Incoming resources from charitable activities		
Residential care fees	218,062	248,846
Farm income	20,788	21,711
Training grant	-	3,000
	<u>238,850</u>	<u>273,557</u>

3. Breakdown of costs of Charitable Activity

Activity	Activities undertaken directly £
Residential and day care	186,147
Farm	38,495
	<u>224,642</u>

4. Employee Information

Average number of full time equivalent employees during the year was:	9	9
	£	£
Wages & salaries	84,644	86,404
Social security costs	5,872	6,167
Pension costs	3,768	3,666
	<u>94,284</u>	<u>96,237</u>

No staff member is remunerated at a level in excess of £60,000 per annum. Pension contributions are made in respect of three members of staff.

Notes to the Financial Statements (Continued)

5. Surplus for the Financial Year	2005	2004
Is stated after charging:	£	£
Depreciation		
charged to Income & Expenditure Account	9,251	10,780
charged to Restricted Capital Funds	3,255	3,255
	<hr/>	<hr/>
	12,506	14,035
Auditors remuneration	1,300	900
Hire purchase interest	1,995	2,164
	<hr/>	<hr/>
 6. Stock		
Livestock	27,695	24,522
Crops & feeding	10,200	12,540
	<hr/>	<hr/>
	37,895	37,062
	<hr/>	<hr/>
 7. Debtors		
Trade debtors	16,481	33,219
Other debtor	2,450	2,877
	<hr/>	<hr/>
	18,931	36,096
	<hr/>	<hr/>
 8. Creditors		
Amounts falling due within one year		
Trade creditors	3,466	5,063
Accruals	2,187	1,322
Other taxation & social security	1,441	1,058
Other Creditors	14,000	14,000
Hire purchase	5,536	9,121
	<hr/>	<hr/>
	26,630	30,564
	<hr/>	<hr/>
 9. Creditors		
Amounts falling due within two to five years		
Hire purchase	3,132	8,667
	<hr/>	<hr/>

Notes to the Financial Statements (Continued)

10. Pension Scheme

The company makes contributions to a money purchase group personal pension scheme. The assets of the scheme are held separately from those of the company in an independently administered fund. The pension cost charge represents contributions payable by the company to the fund and amounted to £3,768 (2004 -£3,666).

11. Tangible Fixed Assets

	Tenants Improvements £	Tractor & Implements £	Motor Vehicles £	Total £
Cost				
31 August 2004	65,108	52,543	26,946	144,597
Additions	-	4,657	-	4,657
Disposals	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
31 August 2004	65,108	57,200	26,946	149,254
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Depreciation				
31 August 2004	19,530	33,721	13,419	66,670
Charge for year	3,255	5,869	3,382	12,506
Written back on disposals	-	-	-	-
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
31 August 2005	22,785	39,590	16,801	79,176
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Net Book Value				
31 August 2005	42,323	17,610	10,145	70,078
31 August 2004	45,578	18,822	13,527	77,927
	<u> </u>	<u> </u>	<u> </u>	<u> </u>

The net book value of fixed assets includes an amount of £12,087 (2004 - £21,512) in respect of assets held under hire purchase agreements. The depreciation charge for the year on assets held under hire purchase was £4,030 (2004 - £7,170).

Notes to the Financial Statements (Continued)

12. Statement of Funds

	Balance 31 August 04 £	Incoming Resources £	Outgoing Resources £	Transfers £	Balance 31 August 05 £
Unrestricted Fund	71,487	240,007	225,942	(4,526)	81,026
Designated Fund	14,561	-	-	4,526	19,087
Restricted Capital Fund	54,102	-	3,255	-	50,847
	<u>140,150</u>	<u>240,007</u>	<u>229,197</u>	<u>-</u>	<u>150,960</u>

The UNRESTRICTED FUND is free to use in accordance with the objectives of the charity.

The DESIGNATED FUND represents a fund set aside to indicate and be equal to expenditure made on tangible fixed assets.

The RESTRICTED CAPITAL FUND refers to sums raised to carry out building improvements.

**Notes to the Income & Expenditure Account
For the Year ended 31 August 2005**

	2005 £	2004 £
13. Staff		
Salaries & national insurance	90,516	92,571
Pension scheme	3,768	3,666
Staff expenses	260	907
Staff training	2,123	2,009
Volunteers expenses	-	3,096
	<u>96,667</u>	<u>102,249</u>
14. Farm		
Livestock etc. on hand year commencement	37,062	40,720
Livestock purchased	625	667
Feeding etc.	7,838	8,850
Upkeep property	2,902	7,682
Upkeep fences & shelter belts	1,125	1,111
Upkeep implements	6,456	6,695
Haulage & contracting	2,503	1,287
Vet & medicine	255	507
Tractor diesel	695	952
Contracting – butcher	2,799	3,373
Hire purchase interest	1,995	2,164
Levies & subscriptions	240	520
	<u>64,495</u>	<u>74,528</u>
Less: Livestock etc on hand period end	37,895	37,062
	<u>26,600</u>	<u>37,466</u>
15. Household		
Provisions	19,699	18,700
Heat & light	10,585	8,625
Upkeep fittings & equipment	2,968	4,879
Upkeep property	1,230	1,961
Medical	793	212
Cleaning materials	1,665	1,171
Registration fee	1,485	1,980
Water	312	217
	<u>38,737</u>	<u>37,745</u>

Notes to the Income & Expenditure Account (Continued)
For the Year ended 31 August 2005

	2005 £	2004 £
16. Residents		
Personal allowance	5,787	6,490
Day placement	6,985	13,266
Wages	775	993
Extras & holiday stays	4,299	3,720
	<hr/>	<hr/>
	17,846	24,469
	<hr/>	<hr/>
17. Other Direct Costs		
Rent	18,000	18,000
Insurance	3,200	2,556
Diesel & vehicle expenses	9,667	10,359
Printing stationery etc	1,027	1,518
Postage & telephone	1,832	3,452
Bank charges	225	243
Payroll processing	432	417
	<hr/>	<hr/>
	34,383	36,545
	<hr/>	<hr/>
18. Non Recurring		
Property expenditure	1,158	4,899
	<hr/>	<hr/>
19. Depreciation		
On tractor & implements	5,869	6,270
On motor vehicles	3,382	4,510
On property improvements	3,255	3,255
	<hr/>	<hr/>
(see also note 5)	12,506	14,035
	<hr/>	<hr/>
20. Governance Costs		
Audit fee	1,300	900
	<hr/>	<hr/>