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SUSTAIN: THE ALLIANCE FOR BETTER FOOD AND FARMING
(A company limited by guarantee)

TRUSTEES REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2004

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LEGAL AND ADMINISTRATIVE INFORMATION
For the year ended 31 March 2004

Trustees

David Buffin (re-elected 12/12/02)
Simon Bullock (elected 16/10/03)
Peta Cottee (re-elected 16/10/03)
Anne Dolamore (re-elected 13/12/01)
Jeremy Faull (re-elected 12/12/02)
Kath Dalmeny (elected 16/10/03)
Michael Hart (elected 16/10/03)
Joe Harvey (Treasurer) (re-elected 12/12/02)
Professor Tim Lang (Chair) (re-elected 12/12/02)
Iona Lidington (re-elected 26/10/00, resigned 16/10/03)
Paul Lincoln (elected 13/12/01)
Michael Rayner (re-elected 16/10/03)
Patricia Rundall (re-elected 13/12/01)
Robin Simpson (re-elected 12/12/02)
Rachel Sutton (elected 16/10/03)
Bill Vorley (elected 16/10/03)

Company Registered Number

02673194

Charity Registered Number

1018643

Registered Office

94 White Lion Street, London, UK, N1 9PF

Auditors

Trustient, Buckingham House East, The Broadway, Stanmore, Middlesex, HA7 4EB

Bankers

The Cooperative Bank Plc, PO Box 101, 1 Balloon Street, Manchester, M60 4EP

TRUSTEES' REPORT
For the year ended 31 March 2004

The Trustees, who are also directors of the charity for the purposes of the Companies Act, submit their annual report and the financial statements of SUSTAIN: the alliance for better food and farming (the company) for the year ended 31 March 2004. The Trustees confirm that the annual report and financial statements of the company comply with current statutory requirements, the requirements of the company's governing document and the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" issued in October 2000.

Method of appointment or election of Trustees

The management of the company is the responsibility of the Trustees who are elected and co-opted under the terms of the Memorandum and Articles of Association.

Charitable company's aims and objectives

The company is registered as a charitable company limited by guarantee and was set up by a Memorandum of Association on 29th March 1999.

Sustain represents around 100 national public interest organisations working at international, national, regional and local level. It advocates food and agriculture policies and practices that enhance the health and welfare of people and animals, improve the working and living environment, promote equity and enrich society and culture.

Sustain is governed by its membership, which meets regularly. The membership elects a Council of 15 trustees who guide the work of the alliance, subject to approval by the members. Membership is open to national organisations which do not distribute profits to private shareholders and which therefore operate in the public interest. The organisations must be wholly or partly interested in food or farming issues and support the general aims and work of the alliance.

Review of activities and future developments

Prior to the **World Trade Organisation** (WTO) meeting in Cancun, Mexico in summer 2003, Sustain attended a meeting in Germany of European non-government organisations (NGOs) to discuss the likely impact of the forthcoming WTO negotiations on sustainable development. In the event, the Cancun meeting ended in disarray and, even at the time of writing, it remains unclear how negotiations will turn out. However, NGOs are using the delay to explore how common positions might be developed. In partnership with the UK Food Group, Sustain will be hosting a two-day meeting in summer 2004 to look at how agricultural subsidies affect the future of small farmers in both rich and poor countries.

Sustain continues to work with the UK Food Group on **reform of the Common Agricultural Policy** and we are very grateful to those Sustain members who were able, this year, to offer financial support to allow us to continue our work in this important area. Throughout the year a number of briefings were produced. *Land of Milk and Money?* (on the dairy industry) was published in June 2003 and a seminar was held to discuss the problems highlighted in the report and the policy options to tackle them. In Spring 2004 we produced *CAP Reform in the UK - an overview*, and *EU Member State Implementation of the CAP Mid-Term Review*. Although the reforms were agreed by European Agriculture Ministers back in summer 2003, it was several months before it became clear how they were going to be implemented. Sustain, in concert with several members, continued to make representations to government during this period, as did many other interested parties.

The upshot has been that, in England, by 2012 CAP payments will be completely separated ("decoupled") from agricultural production. However, considerable flexibility is allowed in how the reforms are implemented, so other EU countries are developing their own interpretations of the new rules, as are Scotland, Wales and Northern Ireland. It will be a while before the implications of these differences become clear, but we may be seeing the beginning of the end of the Common Agricultural Policy, since it may longer be "common" in future.

TRUSTEES' REPORT (continued)
For the year ended 31 March 2004

Review of activities and future developments (continued)

Even though this phase of CAP reform is concluded, more detailed reforms of particular commodities continue. The current CAP sugar regime expires in 2006 and, in the coming year, Sustain will continue its work with interested members on how to ensure any new sugar regime takes more account of health, environment and development concerns.

Throughout the year Sustain has given presentations on the CAP at a number of events, and attended regular meetings with a range of officials from the Department of Environment Food and Rural Affairs (DEFRA). We continue to be a member of the stakeholder group, convened by DEFRA, to develop a **Food Industry Strategy on Sustainability**. A draft strategy was expected to be issued for consultation this year, but has been repeatedly delayed. We intend to comment on the draft strategy when it finally emerges. We also continue our membership of the Advisory Panel for both the Countryside Agency's Eat the View initiative and the DEFRA sustainability strategy.

The **Food Standards Agency (FSA)**'s Consumer Committee, on which Sustain is represented, held a special meeting in April 2003 on genetically modified food at which the FSA's consumer research methods were strongly criticised. The Committee's first open meeting in June was well received and, following discussions at several meetings, the Committee agreed to recommend to the FSA Board that regulations should be introduced to control the marketing of junk food to children, since voluntary approaches were unlikely to be effective (see also under Children's Food Bill below). Other topics discussed by the Committee (and the subject of discussions between the FSA and Sustain, and many members) have included water and other ingredients in chicken meat and chicken sandwiches, salt in processed food, pesticide residues and food irradiation.

We were delighted that the FSA's Chair, Professor Sir John Krebs, addressed Sustain's AGM in October 2003 and meetings were held subsequently to pursue some of the issues he raised. These will continue into the coming year, particular on issues such as sustainable development and food poverty. Sustain also continues, like the membership, to attend a wide range of consultative meetings and to respond, where possible, to the very high volume of consultation documents generated by the Agency. The most important of these will be on the FSA's draft strategic plan for 2005-2010, and Sustain will consult its members on a joint submission to be made in summer 2004.

Sustain will undertake a similar exercise for yet another consultation on the Department of Health (DH)'s proposed **Food and Health Action Plan**. Having already responded in autumn 2003 to the "problem analysis" consultation, Sustain was looking forward to responding to a draft action plan. Unfortunately, delay followed delay, and the proposals then became caught up in a wider consultative exercise leading to a Public Health White Paper, now expected in autumn 2004. Sustain will respond in summer 2004 to a consultation on possible priorities for a Food and Health Action Plan. One of our major points is likely to be severe criticism over the interminable delay in producing the action plan, which was first proposed by the Curry Commission as long ago as January 2002.

The **Nutrition Forum**, jointly run by the FSA and the DH, and on which Sustain is represented, continues to struggle to find a role. It has recently been reviewed and we look forward to seeing what changes are proposed to improve its effectiveness.

Sustain continued to maintain a watching brief on international issues outside the European Union, engaging in FSA activities where possible and appropriate, on the **Codex Alimentarius Commission**, the international body responsible for setting standards for traded foods. Sustain also continued, along with many others, to express support for the **World Health Organisation's** new global food and nutrition strategy, which has been under attack from multinational junk food companies. In addition, Sustain participates in a regular delegation to the Department of Health, organised by a Sustain member, at which the Department consults public interest groups before establishing policy positions at international meetings, such as the World Health Assembly.

TRUSTEES' REPORT (continued)
For the year ended 31 March 2004

Review of activities and future developments (continued)

The **Agri-Food Network** (AFN), run in collaboration with the Centre for Food Policy at City University, continued to bring together invited researchers and public interest bodies from very diverse backgrounds. In autumn 2003 the Network held a meeting on competition policy, and in early summer will hold another on the food supply implications of healthy diets. Papers from this, and the previous meetings are on the AFN's website. A small grant from the Network for Social Change will allow us to continue to develop the AFN in the coming year.

Although the **Organic Targets Campaign** is no longer active, having achieved its main objectives last year, Sustain continues to monitor government progress towards the targets in its own Organic Action Plan. We are particularly pleased that the Campaign's former project officer, who now undertakes consultancy work for us from her new home in Wales, was appointed to government's new Advisory Committee on Organic Standards (ACOS).

In January 2004 we held what we hope will be the first of many successful meetings on a new area of work for Sustain on the connections between **food and mental health**. There is a growing amount of research, for example, indicating links between lack of essential fats and depression, between additives and attention deficit disorder, and between nutritional deficiencies and disruptive or violent behaviour. In the coming year we hope to be working closely with the Mental Health Foundation and others to develop policy options and proposals for more research.

Food Poverty

The project experienced more staff changes this year, with our most experienced project officer leaving us just before Christmas to establish an independent consultancy with colleagues. However, we happily retain very close links, and so continue to draw on this expertise, albeit in a different capacity.

Food Poverty Network members continued to receive the project's newsletter, *Let us eat cake!*, in each quarter of the year, and project officers spoke at several events around the UK throughout the year, including at the Parliamentary Food and Health Forum. The project was also invited to give presentations in summer 2003 at events in San Francisco, USA, and Lisbon in Portugal. The database of projects was updated and expanded, particularly to include projects from Wales (with support from the Food Standards Agency in Wales) and from Northern Ireland.

During the year, research undertaken by one of the project's invaluable volunteers, revealed that most Primary Care Trusts do not have the staff, funding or information to develop and implement the local food strategies recommended by national government. We will be exploring, with the Food Standards Agency (FSA) and others, how this problem might be tackled. We also worked with the FSA on their consultation exercise looking at how they might develop their work on food poverty. The project's own response to the consultation will be submitted in May 2004 and we look forward to working more closely with the Agency as their work on this issue evolves.

Nonetheless, staff changes - and the fact that the project's Community Fund grant came to an end in autumn 2003 - meant that this year the project's main focus was its future development. This issue was examined at a very well-attended conference in summer 2003, alongside common problems for community food projects such as funding, training and evaluation. These, and other elements, were incorporated into a new funding application to the Community Fund.

The Community Fund decided to postpone a decision on re-funding the project, pending an independent evaluation (for which it provided funding) of the project's work. This took place during spring 2004 and, depending on the results, we are aiming to reshape our application accordingly, and resubmit it in summer 2004.

**TRUSTEES' REPORT (continued)
For the year ended 31 March 2004**

Review of activities and future developments (continued)

In the meantime, the project was successful in obtaining a grant from Lloyds TSB Foundation to explore the potential for (and limitations of) social enterprise methods in generating funds for community food projects. This work will be undertaken in the next financial year.

Grab 5! - Promoting fruit and vegetables

Like the Food Poverty Project, the Grab 5! Project saw the end of its Community Fund grant this year. During the year the project published the full evaluation report (following on from the summary results published last year), along with a promotional video in CD Rom format, an updated and revised action pack, and *Right to the core: Promoting fruit and vegetables in primary schools - top tips from the Grab 5! Project for people supporting schools*. This latter publication is a practical guide for people who want to encourage primary school children to eat more fruit and veg, based on the project's very successful three years of experience in Lambeth, Leeds and Plymouth.

The project officers also shared their experience with others at a large number of very popular training courses around the country, and the Grab 5! Pack sold so well - despite being available free on the website - that we had to reprint it. We are grateful to the Department for Education and Skills for a financial contribution towards reprinting costs, and towards the end of the financial year it was becoming clear that yet another reprint would be necessary.

The school meals competition, run with the Processed Vegetable Growers Association, was even more successful in its second year than it was last year. The final was held in November 2003 at Westminster Kingsway College and prizes were donated by both Gordon Ramsey and Jaimie Oliver.

Less positive was the experience of Plymouth Grab 5! in working with the local Business in the Community (BITC) group. Inappropriate product placement by the local BITC of Ambrosia food products meant the arrangement had to be ended. However, in a positive meeting with BITC head office, we were happy to receive an apology, and reassurance that such a situation would not arise again.

Also unsuccessful, sadly, were our attempts - with colleagues in the Food Commission - to control misuse of the "five a day" message. Some food companies continue to use the "eat more fruit and veg" approach on products that contain too much fat, sugar or salt, and too little fruit or veg. Guidelines for food law enforcement officers were developed with the Food Standards Agency, the Department of Health (DH) and the Local Authorities Co-ordinators of Regulatory Services. Unfortunately, application of the guidelines has been hampered by the DH's failure to produce criteria on how much fat, sugar and salt - if any - would be acceptable in products bearing DH's own "five a day" logo. It is not clear if these criteria will emerge in 2004.

The financial year came to a close with the project's future still uncertain. While one project officer moved onto an exciting new post with a healthy living centre, our other project officer continued to work part-time, spending the other part on secondment to the Department of Health, working on their *School Fruit and Vegetable* scheme. It is testament to the project's success that our project officer's expertise was requested by the Department. This arrangement has also helped to extend the Grab 5 project's lifetime beyond the end of the Community Fund grant.

However, given the government's initiatives in this area - which did not exist when Grab 5! was established - it is no longer appropriate to re-apply to the Community Fund to continue the project in its current form. New possibilities that we may explore include adapting the project's approach to make it appropriate for secondary schools.

**TRUSTEES' REPORT (continued)
For the year ended 31 March 2004**

Review of activities and future developments (continued)The Children's Food Bill

Just before Christmas we were delighted to welcome back the project officer who had left us last year, thanks to funding from the JMG Foundation, the Co-op Group, the Polden-Puckham Foundation and Sheepdrove Trust. Prior to his re-appointment we relied heavily on excellent work by our colleagues in the Food Commission - particularly on their Parents Jury initiative - to keep the issue of promoting junk food to children in the public eye.

Once back in post, our project officer was able to capitalise fully on the seminal piece of research funded by the Food Standards Agency. Published in September 2003, this systematic literature review concluded that *"advertising to children does have an effect on their preferences, purchase behaviour and consumption, and these effects are apparent not just for different brands, but also for different types of food"*. Also in September, Sustain gave evidence to the Parliamentary Health Committee Inquiry into Obesity, the report of which is expected in May 2004.

While the project continued to engage vigorously in the debates and consultations organised by the FSA around the issue of promoting food to children, Sustain also developed a more comprehensive approach to children's diets by creating a Children's Food Bill. Modelled on the success of our Organic Targets Campaign, we are aiming to get a Private Member's Bill through Parliament and onto the statute books. If we are successful, it would not only protect children from junk food marketing, but also improve the quality of food, and food education and skills, provided in all schools.

By the end of the financial year the Bill had over 100 national supporting organisations, and the number continues to grow. We plan to launch the Bill in Parliament in May 2004 with the support of Debra Shipley, MP. Earlier in the year, the project had been represented at meetings with Public Health Minister, Melanie Johnson and Culture Minister, Tessa Jowell. While the latter had called on the communications regulator, Ofcom, to examine how it controls food marketing to children, Sustain continues to argue that the current, largely voluntary approach in this area will fail to protect children. In January, Sustain submitted a consultation response to Ofcom which criticised its industry-oriented proposals for the future regulation of broadcast advertising.

Throughout the year Sustain was in demand to speak at a large number of conferences about this important issue. The project officer was also invited to a major European event, hosted by the Transatlantic Consumer Dialogue in Brussels in February 2004, and he has organised an international seminar to be held at the World Public Health Conference in April 2004. The project officer will also be commissioned, in the coming year, to work on a European Heart Network project which will analyse the extent and nature of food marketing and its regulation across Europe.

In the summer 2004 the project will be responding to a number of consultations, including on the Public Health White Paper, and the FSA's action plan on promoting food to children. It will also be encouraging the continued growth in endorsements for the Children's Food Bill, keeping supporters up to date with developments in this fast-moving area, and also asking individuals to write to their MPs so that they are in no doubt about the widespread public support for our approach.

Sustain continues to be represented on the **Joint Health Claims Initiative** which remains the only mechanism for protecting consumers from misleading health claims in the UK. During the year JHCI received funding from the Food Standards Agency to produce a list of well-established nutrient function claims for vitamins and minerals, and to survey health claims on food labels and on food supplements. Sustain followed developments in the EU on a proposal that would, among other things, prohibit health claims on junk food. However, opposition from parts of the food industry across Europe meant that negotiations stalled and it is likely that, given the elections to the European Parliament in June 2004, work will not begin again on these proposals until autumn 2004 at the earliest.

**TRUSTEES' REPORT (continued)
For the year ended 31 March 2004**

Review of activities and future developments (continued)London Food Link

This project's second year has been even more hectic than the first. London Food Link continued to produce its popular newsletter, *The Jellied Eel* and, in consultation with the membership, responded to a number of official consultation exercises, including to the London Sustainable Development Commission, the Greater London Authority Culture Strategy, and to the London Spatial Development Strategy. Work with our colleagues at London Farmers' Markets and the National Farmers' Union (NFU) led to a submission on agriculture at the Public Inquiry and a subsequent policy addition on maintaining food production in the Green Belt.

After a co-ordinated effort by LFL members, the Government Office for the South East published its intention to produce a sustainable food and farming strategy for the capital as one of its priorities for London. This means that for the first time since 1986, when the Greater London Council was abolished, London will have an integrated approach to food.

As well as speaking at a number of events organised by others, the project officer also organised several for the project itself. They included bringing together organic growers with potential London customers around May Day 2003, holding a conference on food and social housing (supported by East Thames and Newlon housing associations) in March 2004, and organising the first ever conference of London farmers at City Hall to be held in April 2004 (with funding from the NFU and the London Development Agency). The project also launched its own photographic exhibition (supported by grants from the Arts Council and the Association of London Government) to highlight the importance of bread, baking and culture in London. The exhibition was designed to coincide with the publication of our new report -*Bread Street* - in March 2004.

A major report supported by the London Development Agency (LDA) will be published in June 2004. *Capital Eats* will demonstrate the size and potential of the local food sector in London, including farming, markets, food manufacturing, retailing, catering and social enterprises. Throughout the year links between LFL and the LDA became closer and, in February 2004, the project officer was seconded to work part-time at the Agency to help establish a new food unit, and recruit members to the new mayoral food policy board, London Food. The intention to set up this board was announced by the Mayor in November 2003 from the platform shared with LFL on urban food at the annual Mayor's conference.

We continue to be grateful to The Bridge House Estates Trust Fund for their financial support for this project. During the year we also administered a small grants programme, supported by another London-based foundation, which encouraged 18 small projects to develop exciting work on food in London.

Grants from the Department of Environment, Food and Rural Affairs, and the King's Fund, allowed LFL to launch a spin-off initiative - **the London Hospital Food project** - in January 2004. Together with the Soil Association this exciting new project will be working with four London Hospitals - Ealing, Bethlem, Royal Brompton and St George's - over the next two years to introduce more local and/or organic food into their catering. The aim is for these supplies to reach at least 10% of the budget and, in the process, boost the local economy, help protect the environment and, of course, improve health. Studies have been commissioned on the distribution barriers to local and/or organic food, and on the economic and health effects of the project. In summer 2004 we look forward to seeing the first sustainable supplies reach the hospitals.

Sustainable Food Chains

In the final year of this two year project, supported by the Esmée Fairbairn Foundation and other trusts, Sustain launched *Good Food on the Public Plate*, a unique manual on how to integrate sustainable development into the procurement of public sector food and catering, including meals in schools, hospitals and social services as well as many other government-funded bodies. The manual was developed with East Anglia Food Link and has been informed by consultations with a wide range of individuals and organisations in the public and voluntary sectors. The launch event was held in summer 2003 at the Royal Society and was very well received.

TRUSTEES' REPORT (continued)
For the year ended 31 March 2004

Review of activities and future developments (continued)

Up to Christmas 2003 the project officer spoke at a number of conferences, and held workshops at an international conference in Sweden in September, and at a landmark sustainable procurement conference hosted by the Department of Environment, Food and Rural Affairs (DEFRA) in November. A series of seven pilot projects was also facilitated by the project officer in a number of English regions and in Wales, most of which have involved workshops to bring together those interested in increasing the proportion of sustainable food in public sector catering. The project officer also produced a regular e-news update, a new briefing paper - *Public Procurement of Sustainable Food - a Review of Activity 2002-4* - and a report on policy options for local food, published at a local food conference held at the Sheepdrove Farm Conference Centre in November 2003.

As with the Grab 5 project and London Food Link, yet another government agency spotted the high quality of our project staff, and at the turn of the year our project officer moved onto a new job with the Countryside Agency. During the last quarter Sustain's Policy Director has not only maintained a watching brief, and continued to provide regular information to the project's large e-network, but also encouraged members of the public to survey public sector canteens. This should highlight opportunities for, and obstacles to more sustainable food supplies in places such as schools, colleges and local authorities. Financial support from DEFRA allowed some statistical analysis of the survey data and the preparation of a report.

The future of the project is currently unclear, but we are exploring options with a number of funders and look forward to reporting on developments next year.

Sustain was part of a group of organisations working with the International Institute for Environment and Development to create a sustainability index - **Race to the Top** - for supermarkets. Sustain's focus, as part of the wider project, was on the degree of supermarkets' commitment to buying local food. During the year, after much preparatory testing, we finalised the questionnaire for supermarkets to complete, and the store survey method that would verify the supermarkets' responses to the questionnaire. Local branches of the Women's Institutes very generously offered to carry out the store surveys in the summer and autumn of 2003.

Sadly, towards the end of 2003 a number of major supermarkets withdrew from the entire Race to the Top project. A final report, including Sustain's work, was published in November 2003 and, although many of the project partners were disappointed that it did not reach a successful conclusion, everyone involved learned important lessons for the future.

Finance and administration

Sustain continues to be fortunate in having access to high quality consultants who provide excellent services in Information Technology, finance and administration. Too often this "invisible" work is forgotten, but without it Sustain's policy work and project campaigns simply would not be possible.

Volunteers

Throughout the year Sustain continued to recruit a steady stream of high quality volunteers, whose work for the projects and for Sustain's core work has been invaluable. We are pleased to report that, not only has Sustain obtained excellent value from its volunteers, but several volunteers have gone onto employment in the voluntary sector, while others have found the experience has been a worthwhile adjunct to their academic work.

TRUSTEES' REPORT (continued)
For the year ended 31 March 2004

Review of activities and future developments (continued)Funding

Sustain continues its endeavours to increase the security of core funding through members' subscriptions and sales of publications. Sustain would like to thank the following funders for grants received for core and project work:

Calouste Gulbenkian Foundation
Community Fund
The Co-operative Group
Corporation of London - Bridge House Estates Trust Fund
The Countryside Agency
Department for Education and Skills (DFES)
Department for Environment Food and Rural Affairs (DEFRA)
Department of Health
East Thames Housing Association Limited
Earth Resources Research
Esmée Fairbairn Foundation
Food Standards Agency Wales
International Institute for Environment and Development (IIED)
JMG Foundation
King's Fund
Lloyds TSB Foundation for England and Wales
London Development Agency
Network for Social Change
Oxfam
Polden-Puckham Charitable Foundation
The Royal Society for the Protection of Birds (RSPB)
The Tudor Trust
World Wildlife Fund Scotland (WWF)

Directors/Trustees

The directors/trustees that served during the year and to the date of signing this report are listed at Page 1 of the Accounts.

During the year the Council discussed the role of the President and Vice-Presidents posts. The Council agreed that, while it had been appropriate to establish these positions when the two previous alliances merged to form Sustain, the posts were no longer needed. The post holders - Susan George, Geoffrey Cannon and Patrick Holden - were thanked for their important contributions to Sustain's development.

Financial review

The fund balance carried forward at 31st March 2003 was £56,301(2002: £37,063) on unrestricted reserves. The restricted reserves on ongoing projects was £235,666 at 31st March 2003 (2002: £234,985). The full Statement of Financial Activities is set out on page 12 of these accounts.

TRUSTEES' REPORT (continued)
For the year ended 31 March 2004

Reserves policy and risk management

In accordance with guidelines issued by the Charity Commissioners, the Trustees have adopted a policy regarding reserves, which should ensure that:

- a) Excluding those funds represented by Fixed Assets, general reserves do not exceed more than 6 months anticipated expenditure;
- b) There are adequate funds to ensure that the charity is able to meet all current and known future liabilities.

The level of reserves is considered and reviewed at regular intervals by the Council.

The trustees have assessed the major risks to which the company is exposed, in particular those related to the operations and finances of the company, and are satisfied that systems are in place to mitigate our exposure to the major risks.

Investment policy

Under the memorandum and articles of association, the charity has the power to invest the moneys of the Company not immediately required for the furtherance of its objects in or upon such investments, securities or property as may be thought fit, subject nevertheless to such condition (as any) and such consents (if any) as may for the time being be imposed or required by law.

Trustees' responsibilities

Company and charity law applicable to charities in England/Wales 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 company and of the surplus or deficit of the company for that period. In preparing those financial statements the Trustees have:

- selected suitable accounting policies and applied them consistently;
- made judgements and estimates that are reasonable and prudent;
- stated whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepared the financial statements on a going concern basis (unless it is inappropriate to presume that the charity will continue in operation).

The Trustees have overall responsibility for ensuring that the company has an appropriate system of controls, financial and otherwise. They are also responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the company 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 company and hence for taking reasonable steps for the detection and prevention of fraud and other irregularities.

TRUSTEES' REPORT (continued)
For the year ended 31 March 2004

Auditors

A resolution proposing that Trustient be re-appointed as auditors of the company will be put to the Annual General Meeting.

This report was approved by the Trustees on and signed on its behalf, by:

Professor Tim Lang - Chair of the
Board of Trustees

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUSTAIN: THE ALLIANCE FOR BETTER FOOD AND FARMING

We have audited the financial statements of SUSTAIN: THE ALLIANCE FOR BETTER FOOD AND FARMING for the year ended 31 March 2004 which comprise the Statement of Financial Activities and Balance Sheet, with the related notes. 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 opinion we have formed.

RESPECTIVE RESPONSIBILITIES OF THE TRUSTEES AND AUDITORS

As described in the Statement of Trustees' Responsibilities the Trustees 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 and the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities", published in October 2000. We also report to you 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 other information contained in the Trustees' Annual Report and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

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 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.

**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF SUSTAIN: THE ALLIANCE FOR BETTER
FOOD AND FARMING**

OPINION

In our opinion the financial statements give a true and fair view of the state of the company's affairs as at 31 March 2004 and of the 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.

Trustient

Chartered Accountants & Registered Auditors
Buckingham House East
The Broadway
Stanmore
Middlesex
HA7 4EB

Date:

SUSTAIN: THE ALLIANCE FOR BETTER FOOD AND FARMING

19/7/2004

12:53

STATEMENT OF FINANCIAL ACTIVITIES (incorporating income and expenditure account) For the year ended 31 March 2004

	Note	Restricted Funds 2004 £	Unrestricted Funds 2004 £	Total Funds 2004 £	Total Funds 2003 £
INCOMING RESOURCES					
Awards, contributions and donations	2	-	44,048	44,048	19,330
Activities in furtherance of the charity's objects	3	289,787	98,696	388,483	511,927
Investment income		-	2,910	2,910	3,427
TOTAL INCOMING RESOURCES		289,787	145,654	435,441	534,684
RESOURCES EXPENDED					
<i>Costs of generating funds:</i>					
Fund raising costs	4	-	16,870	16,870	14,569
<i>Charitable expenditure:</i>					
Costs of activities in furtherance of the charity's objects	5	393,634	1,892	395,526	460,428
Resources expended on managing and administering the charity	6	-	33,152	33,152	39,768
TOTAL RESOURCES EXPENDED		393,634	51,914	445,548	514,765
NET INCOMING RESOURCES / (RESOURCES EXPENDED) BEFORE TRANSFERS					
		(103,847)	93,740	(10,107)	19,919
Transfers between Funds	12	22,848	(22,848)	-	-
NET INCOMING RESOURCES / (RESOURCES EXPENDED)		(80,999)	70,892	(10,107)	19,919
NET MOVEMENT IN FUNDS FOR THE YEAR					
		(80,999)	70,892	(10,107)	19,919
TOTAL FUNDS AT 1 APRIL 2003		164,781	127,186	291,967	272,048
TOTAL FUNDS AT 31 MARCH 2004		£ 83,782	£ 198,078	£ 281,860	£ 291,967

All activities relate to continuing operations.

The Statement of Financial Activities includes all gains and losses recognised in the year.

The notes on pages 16 to 24 form part of these financial statements.

SUSTAIN: THE ALLIANCE FOR BETTER FOOD AND FARMING

19/7/2004

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BALANCE SHEET
As at 31 March 2004

	Note	£	31 March 2004 £	£	31 March 2003 £
FIXED ASSETS					
Tangible fixed assets	9		909		1,589
CURRENT ASSETS					
Debtors	10	40,980		38,873	
Cash at bank		247,656		273,729	
			<u>288,636</u>	<u>312,602</u>	
CREDITORS: amounts falling due within one year	11	(7,685)		(22,224)	
NET CURRENT ASSETS			<u>280,951</u>	<u>290,378</u>	
NET ASSETS	13	£ 281,860		£ 291,967	
CHARITY FUNDS					
Restricted Funds	12		83,782		164,781
Unrestricted - Designated Funds	12		35,638		70,885
Unrestricted - General Funds	12		162,440		56,301
			<u>£ 281,860</u>	<u>£ 291,967</u>	

The financial statements were approved by the trustees on _____ and signed on their behalf, by:

Professor Tim Lang

Joe Harvey

The notes on pages 16 to 24 form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2004

1. ACCOUNTING POLICIES**1.1 Basis of preparation of financial statements**

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, applicable accounting standards and the Companies Act 1985.

1.2 Company status

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

1.3 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 company and which have not been designated for other purposes.

Restricted funds are funds which are to be used in accordance with specific restrictions imposed by donors which have been raised by the company 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.

1.4 Incoming resources

All incoming resources are included in the Statement of Financial Activities when the company is legally entitled to the income and the amount can be quantified with reasonable accuracy.

1.5 Resources expended

All expenditure is accounted for on an accruals basis and has been included under expense categories that aggregate all costs for allocation to activities. Where costs cannot be directly attributed to particular activities they have been allocated on a basis consistent with the use of the resources.

1.6 Cash flow

The company has taken advantage of the exemption in Financial Reporting Standard No.1 from the requirement to produce a cash flow statement on the grounds that it is a small charitable company.

1.7 Tangible fixed assets and depreciation

All assets costing more than £500 are capitalised.

Tangible fixed assets are stated at cost less depreciation. Depreciation is provided at rates calculated to write off the cost of fixed assets, less their estimated residual value, over their expected useful lives on the following bases:

Office Equipment	-	25%	straight line
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NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2004

1. ACCOUNTING POLICIES (continued)**1.8 VAT**

The charity is not registered for VAT. In common with many other similar registered charities, Sustain's expenses are inflated by VAT, which cannot be recovered.

1.9 Tax status

The company is a registered charity and is not subject to corporation tax on its current activities.

2. AWARDS, CONTRIBUTIONS AND DONATIONS

	Total Funds 2004 £	<i>Total Funds 2003 £</i>
DEFRA	6,100	-
London Development Agency	3,600	-
Department for Education & Skills	3,000	-
East Thames Housing	2,500	-
Foods Standards Agency Wales	2,800	-
International Institute for Environment and Development	2,000	-
Centre For Food Policy, TVU	-	3,000
Others	24,048	16,330
	<hr/> £ 44,048 <hr/>	<hr/> 19,330 <hr/>

SUSTAIN: THE ALLIANCE FOR BETTER FOOD AND FARMING

19/7/2004

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NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2004

3. INCOMING RESOURCES FROM ACTIVITIES IN FURTHERANCE OF THE CHARITY'S OBJECTS

	Total Funds 2004 £	<i>Total Funds 2003 £</i>
Community Fund - Grab 5	95,091	201,472
Community Fund - Food Poverty	23,711	68,134
Community Fund - Evaluation	30,000	-
Department of Health	19,000	-
Royal Society for the Protection of Birds	5,000	-
JMG Foundation	15,200	-
The Co-operative Group	10,000	6,000
Polden Puckham	5,000	-
Network for Social Change	13,500	13,702
Corporation of London	-	30,000
Esmée Fairbairn Foundation	-	50,000
International Institute for Environment and Development	7,700	8,700
Calouse Gulbenkian Foundation	-	8,000
London Development Agency	-	25,000
Countryside Agency	10,000	-
Tudor Trust	10,000	-
Kings Fund	20,000	-
Lloyds TSB Foundation	29,790	-
DEFRA	12,535	-
Association of London Government	4,000	-
Arts Council	3,209	-
Sales and publications	40,395	33,804
Subscriptions and other income	9,100	9,615
Membership fees	16,260	16,431
Conference and workshops	-	34,125
Other income	8,992	6,944
Total	£ 388,483	£ 511,927

4. FUND RAISING COSTS

	Total Funds 2004 £	<i>Total Funds 2003 £</i>
Staff costs	16,194	12,465
Other costs	676	2,104
Total	£ 16,870	£ 14,569

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2004

5. CHARITABLE EXPENDITURE

SUMMARY BY EXPENDITURE TYPE

	Staff Costs		Depreciation		Other Costs		Total		<i>Total</i>
	2004		2004		2004		2004		2003
	£		£		£		£		£
Research, events and publications	£ 186,552	£	1,892	£	207,082	£	395,526	£	460,428
Resources expended on managing and administering the charity	16,195		-		16,957		33,152		39,768
Total	£ 202,747	£	1,892	£	224,039	£	428,678	£	500,196

RESEARCH, EVENTS AND PUBLICATIONS

	2004	<i>2003</i>
	£	£
Staff costs	186,552	223,201
Grants payable	9,312	-
Consultancy costs	75,235	96,552
Volunteers	1,040	2,841
Printing and distribution	45,308	36,110
Postage and stationery	5,401	10,520
Photocopying	1,930	2,504
Telephone and fax	3,805	5,572
Office cost (including rent)	22,305	24,785
Travel, meetings and conferences	27,121	43,841
Depreciation	1,892	3,373
Project development	9,532	11,129
Other charitable expenditure	6,093	-
Total	£ 395,526	£ 460,428

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2004

6. RESOURCES EXPENDED ON MANAGING AND ADMINISTERING THE CHARITY

	Total Funds 2004 £	<i>Total Funds 2003 £</i>
Staff costs	16,195	8,187
Consultants costs - IT	-	3,048
Bookkeeping and accountancy fees	9,783	21,641
Audit and accountancy fees	4,935	4,935
Bank charges	242	214
Other management and administration expenses	1,997	1,605
Depreciation	-	138
Total	£ 33,152	£ 39,768

7. NET INCOME / (EXPENDITURE)

This is stated after charging:

	2004 £	<i>2003 £</i>
Depreciation of tangible fixed assets:		
- owned by the charity	1,892	3,701
Auditors' remuneration - audit services	4,935	4,935

During the year, no Trustees received any remuneration (2003 - £NIL).

During the year, no Trustees received any benefits in kind (2003 - £NIL).

During the year, no Trustees received any reimbursement of expenses (2003 - £NIL).

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2004

8. STAFF COSTS AND NUMBERS

Staff costs were as follows:

	2004	2003
	£	£
Wages and salaries	197,758	222,130
Social security costs	21,183	21,723
	<hr/>	<hr/>
	£ 218,941	£ 243,853
	<hr/> <hr/>	<hr/> <hr/>

The average monthly number of full-time equivalent employees during the year was as follows:

	2004	2003
	No.	No.
Research, events and publications	8	8
Management and administration	1	1
	<hr/>	<hr/>
	9	9
	<hr/> <hr/>	<hr/> <hr/>

No employee received remuneration amounting to more than £50,000 in either year.

9. TANGIBLE FIXED ASSETS

	Furniture, fittings and equipment
	£
Cost	
At 1 April 2003	28,280
Additions	1,212
	<hr/>
At 31 March 2004	29,492
	<hr/>
Depreciation	
At 1 April 2003	26,691
Charge for the year	1,892
	<hr/>
At 31 March 2004	28,583
	<hr/>
Net book value	
At 31 March 2004	£ 909
	<hr/> <hr/>
At 31 March 2003	£ 1,589
	<hr/> <hr/>

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2004

10. DEBTORS

	2004	2003
	£	£
Due within one year		
Other debtors	29,373	5,373
Grants Receivable	11,607	33,500
	<u> </u>	<u> </u>
	£ 40,980	£ 38,873
	<u> </u>	<u> </u>

11. CREDITORS:
Amounts falling due within one year

	2004	2003
	£	£
Other creditors	1,340	16,222
Accruals and deferred income	6,345	6,002
	<u> </u>	<u> </u>
	£ 7,685	£ 22,224
	<u> </u>	<u> </u>

12. STATEMENT OF FUNDS

	Brought Forward £	Incoming Resources £	Resources Expended £	Transfers in/(out) £	Carried Forward £
DESIGNATED FUNDS					
Designated Funds	70,885	-	-	(35,247)	35,638
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
GENERAL FUNDS					
General Funds	56,301	145,654	51,914	12,399	162,440
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total unrestricted funds	127,186	145,654	51,914	(22,848)	198,078
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>

Designated funds are allocated to specific projects when the existing funds for those projects are fully spent and it is intended to continue with the project. The transfers out of the designated funds are either to fund projects where there is a shortfall of restricted funds or to general funds where replacement funds have been sought and it is no longer necessary to designate funds.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2004

RESTRICTED FUNDS

	Brought Forward £	Incoming Resources £	Resources Expended £	Transfers in/(out) £	Carried Forward £
Fruit and Veg	38,675	95,091	139,013	5,247	-
Food Poverty	41,146	83,501	73,140	-	51,507
Childrens' Food Bill	-	30,200	13,755	-	16,445
Target Organic	7,461	50	7,511	-	-
London Food Link	24,934	17,210	53,192	13,000	1,952
Hospital Food project	-	32,535	18,657	-	13,878
Sustainable Food Chains	52,565	23,500	80,666	4,601	-
Race to the Top	-	7,700	7,700	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal	164,781	289,787	393,634	22,848	83,782
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Total of Funds	£ 291,967	£ 435,441	£ 445,548	£ -	£ 281,860
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>

Grants, which are received for specific projects, are accounted for as restricted funds. Where grants are overspent a transfer is made from unrestricted funds. The balances on restricted funds as at 31 March 2004 arise from grants received for specific projects on which some expenditure is still to be incurred in the coming financial year. Each of the projects is described in more detail:

Fruit and veg - Grab 5! The project set up multi-sector partnerships as part of a national campaign to increase fruit and vegetable consumption. The focus is 7-11 year olds living in low income areas of Lambeth, Leeds and Plymouth and uses a whole school approach.

Food Poverty - Working with a range of local, national and international organisations, this project aims to reduce food-related health inequalities by providing information and support through a database, events and a range of publications.

Childrens' Food Bill - This private member's bill would introduce legal protection against junk food marketing, and improve the quality of food, and food education and skills in schools.

Organic Targets campaign - Sustain was the secretariat for a large and growing coalition arguing for a government strategy to ensure 30% of land is in organic production by 2010. This project has now concluded.

London Food Link - In the nation's capital this project aims to help producers, consumers and retailers make positive choices for sustainable, local food.

Hospital Food project - The project aims to increase the supply of local and/or organic food served in four London NHS hospitals to 10% of their routine catering provision.

Sustainable Food Chains - The project created appropriate policies to support the development of local food economies, focusing particularly on the use of sustainable food in public sector catering. The current phase of the project has now concluded.

Race to the Top - This initiative aimed to create a sustainability index for supermarkets, and Sustain was working on the local food dimension.

NOTES TO THE FINANCIAL STATEMENTS
For the year ended 31 March 2004

	Brought Forward £	Incoming Resources £	Resources Expended £	Transfers in/(out) £	Carried Forward £
Designated Funds	70,885	-	-	(35,247)	35,638
General Funds	56,301	145,654	51,914	12,399	162,440
	<u>127,186</u>	<u>145,654</u>	<u>51,914</u>	<u>(22,848)</u>	<u>198,078</u>
Subtotal					
Restricted Funds	164,781	289,787	393,634	22,848	83,782
	<u>164,781</u>	<u>289,787</u>	<u>393,634</u>	<u>22,848</u>	<u>83,782</u>
Total of Funds	£ 291,967	£ 435,441	£ 445,548	£ -	£ 281,860
	<u>£ 291,967</u>	<u>£ 435,441</u>	<u>£ 445,548</u>	<u>£ -</u>	<u>£ 281,860</u>

13. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Restricted Funds 2004 £	Unrestricted Funds 2004 £	Total Funds 2004 £	<i>Total Funds 2003 £</i>
Tangible fixed assets	-	909	909	1,589
Current assets	83,782	204,854	288,636	312,602
Creditors due within one year	-	(7,685)	(7,685)	(22,224)
	<u>83,782</u>	<u>204,854</u>	<u>288,636</u>	<u>312,602</u>
Total	£ 83,782	£ 198,078	£ 281,860	£ 291,967
	<u>£ 83,782</u>	<u>£ 198,078</u>	<u>£ 281,860</u>	<u>£ 291,967</u>

14. SHARE CAPITAL

SUSTAIN: The Alliance For Better Food & Farming is a company Limited by Guarantee and has no share capital. Each member is liable to contribute a sum not exceeding £1 in the event of the charity being wound up.

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