

Registered number: 02673194
Charity number: 1018643

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

TRUSTEES REPORT AND FINANCIAL STATEMENTS

For the year ended 31 March 2006

Our ref: MJ/NJ/S150

PRIVATE AND CONFIDENTIAL

Ms Jeanette Longfield
Sustain
94 White Lion Street
London
N1 9PF

25 July 2006

Dear Jeanette

I refer to our discussion regarding the accounts for the year ended 31 March 2006.

As discussed, the restricted funds column in the statement of financial activities, reflect the restricted grants and the corresponding expenses. The charities SORP requires the recognition of the these grants on a receivable basis so that in many cases the grant may be receivable in say, year ended 31 March 2005 but the expenditure incurred in 31 March 2006. In the case of Sustain, some of the grants have been received in the previous period showing an unspent balance of £121,734 as at 1 April 2005. This amount has subsequently been spent in the year ended 31 March 2006. Of the amount receivable in the year ended 31 March 2006, £19,957 has been unspent as at 31 March 2006. This is shown as restricted fund balance and has no bearing on the reserves. The reduction should not be viewed as deficit but just as timing difference between receipt and payments on the basis that if it wasn't spent then these amounts would need to be returned.

The surplus for the year is the increase in the unrestricted funds and the charity had a small surplus of £17,084 even after transferring £52,999 to subsidise restricted projects.

If you or any readers of the accounts need further clarification, I am happy to discuss this.

Yours sincerely

M JESSA
TRUSTIENT

SUSTAIN: THE ALLIANCE FOR BETTER FOOD AND FARMING

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LEGAL AND ADMINISTRATIVE INFORMATION For the year ended 31 March 2006

Trustees

David Barling (elected 17/11/2005)
Simon Bullock (resigned 17/11/2005)
Peta Cottee
Kath Dalmeny (re-elected 17/11/2005)
Anne Dolamore , Chair
Jeremy Faull
Joe Harvey , Treasurer
Vicky Hird (elected 17/11/2005)
Professor Tim Lang , Chair (resigned 17/11/2005)
Paul Lincoln (resigned 17/11/2005)
Patrick Mulvany (elected 17/11/2005)
Mike Rayner , Deputy Chair
Patti Rundall
Paul Sander - Jackson
Robin Simpson
Jim Sumberg (elected 17/11/2005)
Rachel Sutton
Bill Vorley

Company Registered Number

02673194

Charity Registered Number

1018643

Registered Office

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

Company Secretary and Co-ordinator

Jeanette Longfield

Auditors

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

Bankers

The Co-operative Bank Plc, PO Box 101, 1 Balloon Street, Manchester, M60 4EP

SUSTAIN: THE ALLIANCE FOR BETTER FOOD AND FARMING

TRUSTEES' REPORT For the year ended 31 March 2006

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 ended 31 March 2006. 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" revised in 2005.

HOW WE WORK, AND WHAT WE DO

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.

Constitution

The company, which is limited by guarantee and therefore governed by its Memorandum and Articles of Association is also a registered charity.

Governance

Sustain is governed by its membership, which is open to national organisations which do not distribute profits to private shareholders and which therefore operate in the public interest. Members must be wholly or partly interested in food or farming issues and support the general aims and work of the alliance. Sustain's membership meets at least twice a year in general session (one of these meetings is the Annual General Meeting), and members also attend a range of specialist policy and project working party meetings (see Review of the Year below), all of which are chaired by a Sustain Council member.

The Council members are elected by the membership (and a third of the Council must stand down each year) to form a governing body of 15 Trustees. All Trustees declare any relevant financial interests and these are publicly available. The Council of Trustees meets quarterly to guide the work of the alliance, subject to approval by the members. As the Trustees are drawn from Sustain's membership, all of whom are third sector organisations, they are already familiar with the structure of and governance in this sector. Induction and training is therefore informal.

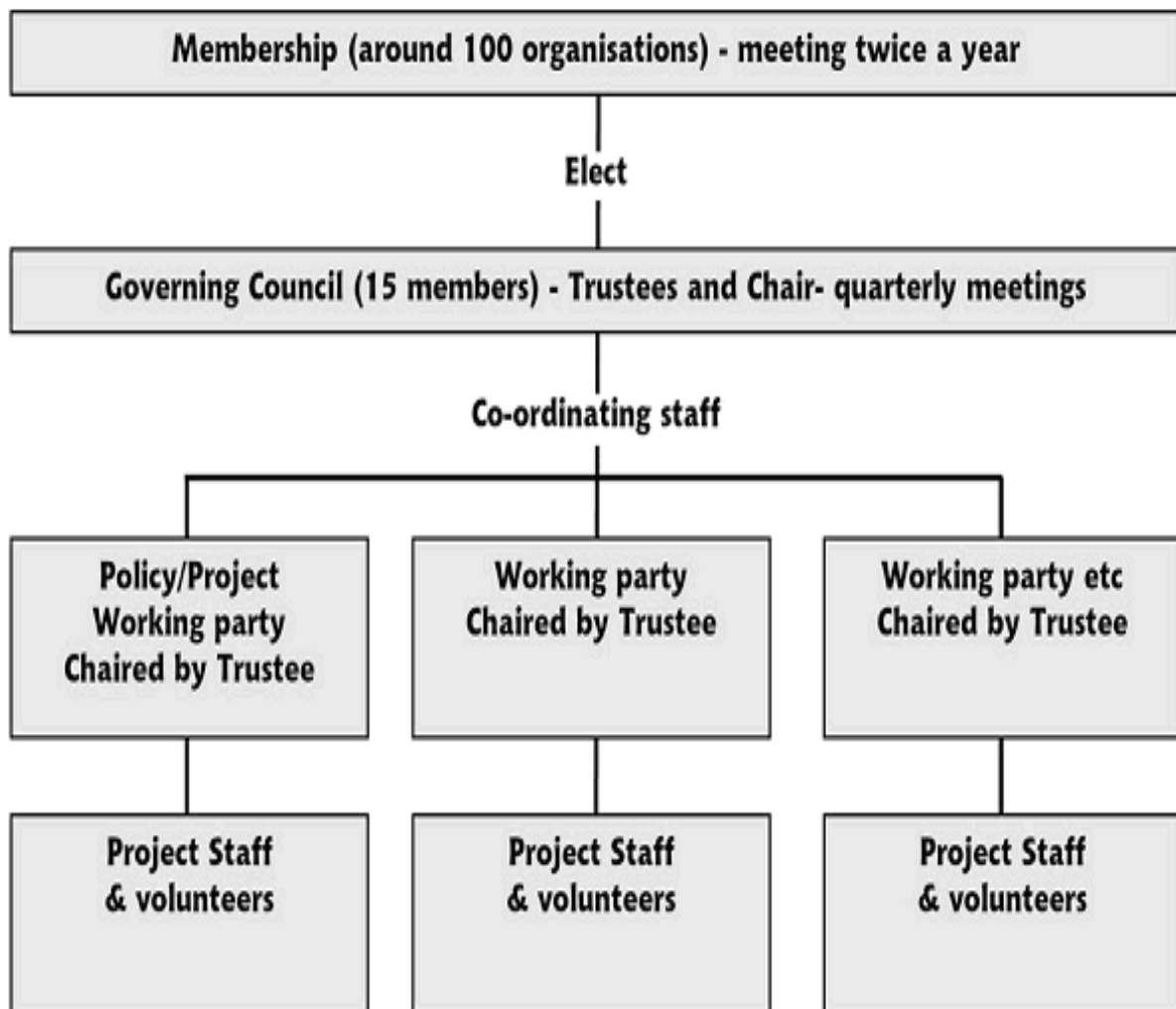
At the 2005 AGM our longstanding Chair, Professor Tim Lang, stood down, and his accomplishments and contribution to Sustain's development were highly praised by fellow Council members and Sustain's membership. As the Council chooses officers from among its members, Anne Dolamore and Dr. Mike Rayner, both also longstanding Council members, were agreed as Chair and Deputy Chair respectively.

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TRUSTEES' REPORT (continued)
For the year ended 31 March 2006

Organisational structure

The diagram below is a schematic representation of Sustain's structure and does not indicate actual numbers of policy/project working parties or staff.



Finance and administration

Sustain continues to retain the services of two high quality and good value consultants, Gavin Dupee and Quoc-anh Tran who, respectively, provide excellent Information Technology and finance and administrative services. Without this largely invisible work, Sustain's policy and campaigning successes simply would not happen.

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TRUSTEES' REPORT (continued) For the year ended 31 March 2006

Volunteers

Sustain also continues to recruit high quality volunteers to undertake a range of worthwhile tasks in all areas of work. Not only does Sustain get excellent value from its volunteers, but they continue to be able to use the experience they gain at Sustain to go onto obtain good jobs or pursue their research.

Funding

Sustain would like to thank the following funders for their financial support for our work:

All Saints Educational Trust
British Heart Foundation
British Heart Foundation Health Promotion Research Group
Caroline Walker Trust
Cooperative Group
Department for Environment Food and Rural Affairs (various, including Environment Action Fund, and Food Procurement Unit)
Department of Health
English Nature
European Regional Development Fund
GMB - Britain's General Union
Government Office for London
Joseph Rowntree Charitable Trust
King's Fund
London Development Agency
Mental Health Foundation
Polden Puckham Charitable Foundation
School Food Trust
Sheepdrove Trust
Tudor Trust
Unison

REVIEW OF THE YEAR AND FUTURE PROSPECTS

Sustain has continued to make good progress across a wide range of food and farming policy issues and campaigns, and the prospects for the coming year are just as positive.

- Children's Food Bill

We began the year with support from some 140 national organisations, 248 cross party MPs and 8,000 individuals, and ended it with more than 160 national bodies, 284 MPs and over 11,000 individuals, and all these numbers continue to rise. This is testament to the importance and popularity of this campaign to protect children from junk food marketing, and improve the quality of not only the food, but also the education and food skills provided in schools.

Based on this support we have:

- maintained a high profile in Parliament for this proposed Private Member's Bill with the help of Mary Creagh, MP, with re-presentation in June 2005, a second reading on 28 October (preceded by a launch event featuring food writer Sophie Grigson), and a further reading scheduled for June 2006;
- kept the issue in the public eye - not only in the UK but internationally - through countless appearance on TV and radio, in newspapers and magazines, and at a variety of public events and conferences;

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TRUSTEES' REPORT (continued) For the year ended 31 March 2006

→ published *"The Children's Food Bill: Why we need a new law, not more voluntary approaches"*, in both full and summary form, and distributed this widely.

The campaign has also responded to a large number of relevant consultation documents. Key among these have been those issued by the Food Standards Agency on its nutrition profiling system and "traffic light" signposting scheme, which the campaign supports as a robust method of defining "junk" food, so that it can be properly regulated. There will be intense activity focused on Ofcom, the broadcast regulator, in summer 2006 as it consults on options for regulating TV advertising of junk food to children.

The campaign has also participated in the Department of Health's Food and Drink Advertising Promotion Forum, and the Department of Education and Skills' School Meals Review Panel.

The reward for this high level of activity will be the introduction, by Government, of legislation in summer 2006 to improve the nutritional quality of school meals by setting tough new standards and pledging extra cash. This important improvement of course owes a debt to the efforts of celebrity chef Jamie Oliver, and to a myriad other organisations over the years. But the Children's Food Bill campaign played a vital part.

The success described above was due, in no small measure, to the skill and dedication of the project officer, Charlie Powell. We were sad to lose him to Oxfam's Trade Justice campaign at the end of 2005, but in early 2006 we welcomed Richard Watts, who is already proving to be a worthy successor. We continue to be grateful to the organisations which have provided financial or in-kind support for this campaign, and these are listed in the financial part of this report.

- Food and Mental Health

Changing diets, changing minds: How food affects mental health and behaviour, was published in January 2006. This was the culmination of almost two years of painstaking research by project officer Courtney Van de Weyer, her development of a firm partnership with the Mental Health Foundation, and her facilitation of a network of organisations working on diet and mental health issues. Gratifyingly, the report, with a companion volume from the Mental Health Foundation, received extraordinarily widespread and positive media coverage, not only in the UK but internationally.

Changing diets, changing minds demonstrates the range and depth of evidence indicating that the same diet that is good for our physical health - high in vitamins and minerals, with the right balance of essential oils, and low in fat, sugar and salt - is also good for our mental health and well-being. Depression, schizophrenia, Attention Deficit Hyperactivity Disorder and Alzheimer's Disease have all been associated with poor quality diets, as has some anti-social behaviour, so the benefits of improving our diets could be even greater than previously imagined. Indeed, the estimated financial costs to the UK of mental ill health are now estimated to be £100 billion per year.

The challenge now is to incorporate this recognition of the links between diet and mental health into government policy and practice. In particular, we are very keen to promote, in the coming year, not only a balanced approach to the nutritional elements of this message, but also incorporate sustainable development. There are worrying signs that policy attention will focus too heavily on the beneficial omega 3 oils found in some types of fish. This not only ignores other important nutrients, but might also have a devastating effect on already endangered fish stocks.

We are very grateful to the Mental Health Foundation and the Tudor Trust for supporting this work. Sadly, a proposal to the Big Lottery's research grants scheme was not successful, but in summer 2006 we are planning an application to the Big Lottery's Well-being fund.

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TRUSTEES' REPORT (continued) For the year ended 31 March 2006

- Food Poverty

The Social Enterprise Project, funded by Lloyds TSB Foundation, was successfully concluded this year, with the launch of the "Sauce" toolkit - www.sauce-toolkit.org - an online pack of information on social enterprise for community food projects. The site helps people explore the potential for community food projects to use social enterprise methods as a means of securing greater financial security, and was produced for Sustain by the consultancy Food Matters. Food Matters also produced a policy briefing paper "Social enterprise for community food projects: A solution to the funding conundrum, or just another fashionable magic bullet?" This was the result of in-depth research and a series of workshops with groups of relevant individuals and organisations, and it draws out the pros and cons of the social enterprise approach to raising money.

As this project came to an end, at least of this phase of development, the project as a whole moved into a new phase. Funding from the Department of Health, agreed at the end of last financial year, allowed the appointment of Claire Milne, a new full-time project officer in autumn. This has meant that the project newsletter, "Let us eat cake!", could be redesigned and produced more regularly, in preparation for a major effort to revitalise the membership of the Food Poverty Network in summer 2006. New services to members in the coming year will include a revised and updated website and database of community food initiatives.

In addition, the project's advisory working party is being revived and expanded, and a possible future focus for the project's work will be how the planning system can be used and, where necessary improved, to ensure that people on low incomes can shop at a wide variety of food outlets, no matter where they live. As part of this focus on planning and retailing, the project submitted a response to the Office of Fair Trading's consultation on whether to recommend that the Competition Commission investigate, once more, unfair practices by major supermarkets. Links with the Breaking the Armlock alliance and the Peanuts for Benefits campaign have also been forged.

Very positively, the negotiations with the Food Standards Agency (FSA) that ran through last year concluded this year with agreement by the Agency to fund some liaison between community food project networks across the UK. This will allow us to take on another member of staff early next year, and the first in a planned series of liaison meetings will take place in summer 2006. Links with colleagues in Scotland, Wales and Northern Ireland are already well established, and also include people working on food poverty in Eire, since an all-island group has been established with Northern Ireland. The project officer has also arranged and attended a number of meetings, including with community food projects in London, as a precursor to similar meetings around the country.

Finally, we are also part of a successful consultancy bid to the FSA to "develop a framework for the FSA's interface with local nutrition initiatives" which will be completed in 2006.

- Food Standards Agency

Sustain's links with the Food Standards Agency (FSA), at many levels, remained both positive and frequent throughout the year, including with the new Chair, Dame Deirdre Hutton. For example, we participated again in the judging panel for the FSA's small grants programme to local authorities running food projects, and supported the FSA's policy of "naming and shaming" companies following their regular product surveys. Sustain also continued, with others, to pursue the long running saga of misleading labelling on "chicken" and other meat sandwiches, which contain water and other ingredients.

Interestingly, the Consumer Committee, of which Sustain's Co-ordinator, Jeanette Longfield, had been a member since its inception, was finally abolished, after much discussion and consultation. Sustain considers this could be a very positive development, as the Committee had absorbed a great deal of time - both for the Committee members and the FSA secretariat - with few positive results. However, much depends on what processes the FSA develops to replace this mechanism.

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TRUSTEES' REPORT (continued) For the year ended 31 March 2006

Currently, only the twice yearly Consumer Stakeholder Forum continues, and this offers some opportunities to pursue the Agency on particular issues. For example, Sustain was able to support a member organisation not only in its efforts to ensure cheese made from raw milk was properly labelled, but also to pressure the FSA to reveal the identity of a US burger chain (it was McDonald's) which had asked the Agency to review burger cooking times. However, the Consumer Stakeholder Forum will not be adequate as the only mechanism for engaging consumers in the long term. As the FSA's Chief Executive, Jon Bell, stood down at the end of the financial year, it will be interesting to see how his successor deals with this issue.

- Food Industry Sustainability Strategy

The planned Sustain response to the much delayed Food Industry Sustainability Strategy (produced by the Department for Environment, Food and Rural Affairs-DEFRA) was submitted in summer 2005. Like many organisations, Sustain members were disappointed with the weakness (or, in some cases absence) of tough targets and deadlines to improve the food industries' contribution to sustainable development across a wide range of issues including food miles, water, waste and energy consumption.

By the end of the year, the final version had still to be published, though was expected in April, and Sustain will take a keen interest both in the strategy, and in how it will be implemented.

- Grab 5! Fruit and veg project

This was the final year for this very successful project because our longstanding project officer, Kate Bowie, left at the end of the year to pursue a career, appropriately enough in horticulture. However, Kate left yet another active and productive year behind her, including running more of the popular Grab 5! training courses in the Wirral, Islington (London), Shrewsbury, Portsmouth and Bristol.

The final of the 4th annual School Meal Challenge took place at Thomas Danby college in Leeds in November. There had been a record breaking number of entries this year and, once again, the Processed Vegetable Growers Association supported the competition in which secondary school students devise healthy meals for primary schools, and primary school children form part of the judging process. All the finalists' menus can be viewed on www.grab5.com.

Kate also oversaw some research into seasonal recipes that might be suitable for healthy and sustainable school meals, and this information will contribute to the expanded London Hospital Food project (see below). The idea for this research partly arose from a seminar in autumn 2005, organised by Kate for the Sustainable Consumption Roundtable, on promoting good nutrition and sustainable development through healthy school meals.

Finally, Kate also undertook and managed a project for the Government's recently formed School Food Trust to examine what local authorities had already done to improve the quality of school meals, and explore what more help they needed to meet the proposed new statutory standards.

- London Food Link

The London Food Link (LFL) project is now supported by DEFRA's Environmental Action Fund and the European Regional Development Fund for the next three years, which will allow this successful project to make an important contribution to creating a sustainable food and farming system in the capital city. One aspect of this work will focus on the capital's restaurants, and Ben Reynolds, the project officer, developed a very productive relationship with Oliver Rowe, the owner of a pioneering restaurant - *Konstam* - near London's Kings Cross station. Aiming to buy all his ingredients from within the area covered by London's Underground network, Oliver will be the subject of a BBC documentary in summer 2006.

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TRUSTEES' REPORT (continued) For the year ended 31 March 2006

LFL also continues to work closely with a range of London boroughs, and with its diverse membership. During the year the project's quarterly newsletter, "The Jellied Eel" was widely distributed, not only to the membership but also at a range of relevant events, and was redesigned at the end of the year.

* Sustainable food in multicultural communities

This aspect of LFL is being undertaken by a new project officer, Zeenat Anjari. Zeenat's background in the food business is standing her in good stead for this pioneering work to encourage Black, Asian and Minority Ethnic (BAME) food businesses to grasp the economic opportunities presented by consumers' growing interest in sustainable food. During the year she has made contact, through conferences and trade fairs, not only with a wide range of such business, but also with business support organisations, and other bodies who raise awareness of sustainability among London's diverse communities.

These networks have not only generated invaluable material on the potential supply of and demand for sustainable food in BAME communities - which will form the basis of a report next year - but has also led to a successful funding bid with London Sustainability Exchange. This will allow us to recruit another staff member in summer 2006, who will help promote a greener food and drink sector in London.

* London Food Strategy consultation

Just as one successful contract for the London Development Agency (LDA) came to an end, another began. The concluding parts, begun last year, were on encouraging the purchase of more sustainable food in public sector catering. This included working with Camden's school meals team to help them design their new contract and encourage a wide range of companies to tender for the new contract. We also worked with caterers in the Greater London Authority family, including the Metropolitan Police, Transport for London and the Greater London Authority. Reports on our work with these sectors were presented to the LDA in the autumn, and helped provide the background for a major consultative exercise on the London's Mayor's draft London Food Strategy.

LFL was delighted to be awarded the contract to run the three month consultation exercise, and Alice Elliott and Jake Elster-Jones joined us on temporary contracts to undertake the organisation of a substantial range of events, conferences and other activities from September to December. School food, planning, food access, waste and food infrastructure were all the subject of popular and successful special events, with the latter focusing on a report, again commissioned from Sustain by the LDA, exploring the opportunities for a sustainable food logistics centre in London.

A report of the entire consultation process was given to the LDA in January, and the final strategy is expected to be launched in May 2006.

* London hospital food project

This two year project, which began in January 2004, not only came to a positive conclusion, but was also successful in obtaining another two years' funding (from the original funders, DEFRA's Rural Enterprise Scheme, and from the Bridge House Trust) to expand beyond hospitals to include other public sector caterers, and beyond London to include the South East.

This good news is largely due to the efforts of the project officer Emma Hockridge, who has helped broker constructive relationships between hospitals in the project and a wide range of local and/or organic suppliers. The Royal Brompton hospital, in particular, was obtaining more than 15% of its catering supplies from these sustainable sources by the end of the project's initial phase. Products include locally grown fruit and vegetables, free range eggs, organic milk, beef and oatmeal, and some fruit juices and dried fruit.

SUSTAIN: THE ALLIANCE FOR BETTER FOOD AND FARMING

TRUSTEES' REPORT (continued) For the year ended 31 March 2006

Even before the project obtained its new funding to expand, new hospitals in London were already keen to join the project, including other hospitals in the South London and Maudsley Trust (one of the original participants) and Harefield hospital, and Emma had established good links with similar projects in the rest of the UK, Europe and globally.

A joint conference to celebrate the project's achievements was held with the King's Fund (also a project funder for the first phase) in November, and the event was also used to publish our report "*Getting more sustainable food into London's hospitals: Can it be done? And is it worth it?*" This was just one of a number of events organised throughout the year, with others including promotional activities during British Food Fortnight in September, a study visit to Cornwall, and a photographic exhibition of the project "*Harvest for Health*" launched in November in London's City Hall. The exhibition is now touring the hospitals.

There was good publicity about the project throughout the year, with Emma being in demand for conferences, and articles appearing in a wide variety of magazines and journals. Emma's qualities were recognised at the end of the year when she was awarded a Nuffield Farming Scholarship and, over the next two years, as well as developing the project, she will be studying how UK grown "exotic" produce could provide economic opportunities for ethnic communities.

- Organic Action Plan

Throughout the year, Sustain continued its involvement in a number government committees pursuing the Organic Action Plan, and was represented by Hospital Food project officer Emma Hockridge, or Catherine Fookes, on a consultancy basis. Figures produced by the Soil Association during the year showed that very good progress is being made towards the target of increasing the market share of indigenous organic produce from 30% to 70% by 2010, as it had reached around 60%. However, there are significant variations for particular products, with some better than average and some much worse, so a good deal of work still needs to be done.

Catherine also represents Sustain on the Advisory Committee on Organic Standards, and has joined the new sub-committee to examine standards for organic fish.

- Sustainable Food Chains

Dan Keech, as project officer, continued to develop a number of important strands in this broad area of work during the year. In particular, he contributed to the production of the report commissioned by the LDA, exploring the opportunities for a sustainable food logistics centre in London (see London Food Link above).

He also developed, with Somerset Food Links, an exciting new project - Eat Somerset - to create sustainable supply chains between local and/or organic producers in Somerset and independent retailers and other outlets in the area. The difficulty of locating partners in the public, private and voluntary sectors meant that the process of finalising the project funding application took rather longer than anticipated. However, at the end of the year the partners were confirmed and the Esmée Fairbairn Foundation agreed to provide the majority of the funding, so that work can begin next year.

Sustain also maintained close links with Food Links UK, and with the European network for sustainable food and agriculture, Alimenterra. In addition, due to funding difficulties and delays, Dan also worked for the final six months of the year on a part-time basis for Common Ground on their project linking sustainable food production with local distinctiveness.

SUSTAIN: THE ALLIANCE FOR BETTER FOOD AND FARMING

TRUSTEES' REPORT (continued) For the year ended 31 March 2006

* Orchards project

This project aimed to weave traditional orchards back into the local economy, and underpin their importance to nature conservation by working with partners in Cumbria, Devon, Herefordshire, Kent and Somerset. Part funding was initially provided by English Nature, and we had hoped to complete the budget with funding from Leader+, a European rural regeneration fund. Unfortunately, there were very significant delays in the Leader+ funding process, which meant that the project could not begin in earnest and English Nature felt compelled to withdraw their funding. This was, of course, very disappointing, but we are confident that the Leader+ process will eventually come to a positive conclusion so this important work can take place next year.

* Care sector catering

DEFRA's Food Procurement Unit provided a small grant to work with the National Association of Care Catering to develop a sustainable procurement policy. Kate Bowie consulted with an advisory group and undertook some research into current catering provision in the care sector. A briefing document "Sustainable food and care catering" was produced in February, and this work will continue to be developed as part of the expanded London Hospital Food Project.

• Sustainable fish production and consumption

In September Sustain published a report "Like shooting fish in a barrel: The collapse of world fisheries in the 21st century, and what we can do to prevent it from happening". It was written by a volunteer, Ben Wielgosz, and obtained excellent media coverage and support from a number of organisations. On this basis, Sustain took part in several meetings throughout the year with NGOs and others on how sustainable fish consumption could be more vigorously promoted, and we hope to pursue this work in the coming year.

• Sustainable agriculture and trade

Sustain contributed to the development of the UK Food Group's publication, in the autumn, of "Achieving fairness in trading between supermarkets and their agrifood supply chains". The report explores the prospects for fair trade becoming the norm rather than the exception for trading between the major multinational retailers and their suppliers around the world. Sustain also continues to work with the UK Food Group and others, such as the Food Ethics Council, on the implications for sustainable development of the continuing process of Common Agricultural Policy reform in the European Union, and the continued growth of global food trade.

• Agri-Food Network

A successful seminar on ethical consumption was held in October, with presentations from Ethical Consumer Research, the Fairtrade Foundation and the Soil Association, along with City University, who run the Network in partnership with Sustain. Unfortunately, it was not possible to arrange another seminar this year, but an event for July 2006 has been scheduled, focusing on the implications of private sector governance of food supply chains.

SUSTAIN: THE ALLIANCE FOR BETTER FOOD AND FARMING

TRUSTEES' REPORT (continued) For the year ended 31 March 2006

Financial review

The fund balance carried forward at 31st March 2006 was £220,936 (2005: £202, 216) on unrestricted general reserves. The restricted reserves on continuing projects was £21,551 at 31st March 2006 (2005: £121, 734). The full Statement of Financial Activities is set out on page 15 of these accounts.

Reserves policy

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

Excluding those funds represented by fixed assets, general reserves do not exceed more than six months anticipated expenditure. This is equivalent to £226,326, based on current costs. At present, free funds amount to £220,217. 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.

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. At the present time the Trustee's policy is to maintain such monies on deposits earning a market rate of interest.

Risk management

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.

SUSTAIN: THE ALLIANCE FOR BETTER FOOD AND FARMING

TRUSTEES' REPORT (continued) For the year ended 31 March 2006

Trustees responsibilities

The Trustees are responsible for preparing the Annual Report and the financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice applicable to smaller charities.

Company and charity law applicable to charities in England and 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.

Statement as to disclosure of information to auditors

So far as the directors are aware, there is no relevant audit information (as defined by Section 234ZA of the Companies Act 1985) of which the company's auditors are unaware, and each director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the company's auditors are aware of that information.

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:

SUSTAIN: THE ALLIANCE FOR BETTER FOOD AND FARMING

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 2006 which comprise the the Statement of Financial Activities and Balance Sheet, with the related notes. These financial statements have been prepared in accordance with the accounting policies set out therein, the Statement of Recommended Practice: 'Accounting by Charities' and the requirements of the Financial Reporting Standard for Smaller Entities (effective January 2005).

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 charity's Trustees (who also act as company directors of SUSTAIN: THE ALLIANCE FOR BETTER FOOD AND FARMING) are responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and International Standards on Auditing (UK and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Trustees' Report is not consistent with the financial statements, if the charitable 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 other transactions is not disclosed.

We report to you whether in our opinion the information given in the Trustees' report is consistent with the financial statements.

BASIS OF AUDIT OPINION

We conducted our audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgments 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.

SUSTAIN: THE ALLIANCE FOR BETTER FOOD AND FARMING

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, in accordance with United Kingdom Generally Accepted Accounting Practice applicable to smaller charities, of the state of the company's affairs as at 31 March 2006 and of its incoming resources and application of resources in the year then ended;
- have been properly prepared in accordance with the Companies Act 1985 and
- the information given in the Trustees report is consistent with financial statements.

Trustient

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

Date:

SUSTAIN: THE ALLIANCE FOR BETTER FOOD AND FARMING

STATEMENT OF FINANCIAL ACTIVITIES (incorporating income and expenditure account) For the year ended 31 March 2006

	Note	Restricted Funds 2006 £	Unrestricted Funds 2006 £	Total Funds 2006 £	Total Funds 2005 £
INCOMING RESOURCES					
Incoming resources from generated funds					
Voluntary income	2	-	6,078	6,078	14,659
Investment income		-	4,030	4,030	2,844
Incoming resources from charitable activity					
Health and Welfare	3	273,491	164,360	437,851	511,910
TOTAL INCOMING RESOURCES		273,491	174,468	447,959	529,413
RESOURCES EXPENDED					
Costs of generating funds:					
Fund raising costs	5	-	8,657	8,657	11,305
Charitable expenditure:					
Health and Welfare		428,267	85,695	513,962	463,416
Governance	6	-	10,033	10,033	9,372
TOTAL RESOURCES EXPENDED		428,267	104,385	532,652	484,093
NET INCOME / (EXPENDITURE) BEFORE TRANSFERS					
		(154,776)	70,083	(84,693)	45,320
Transfers between Funds	12	52,999	(52,999)	-	-
NET INCOME / (EXPENDITURE) AFTER TRANSFERS		(101,777)	17,084	(84,693)	45,320
NET MOVEMENT IN FUNDS FOR THE YEAR					
		(101,777)	17,084	(84,693)	45,320
TOTAL FUNDS AT 1 APRIL 2005		121,734	205,446	327,180	281,860
TOTAL FUNDS AT 31 MARCH 2006		£ 19,957	£ 222,530	£ 242,487	£ 327,180

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

The notes on pages 17 to 24 form part of these financial statements.

SUSTAIN: THE ALLIANCE FOR BETTER FOOD AND FARMING

**BALANCE SHEET
As at 31 March 2006**

	Note	£	2006 £	£	2005 £
FIXED ASSETS					
Tangible fixed assets	9		719		606
CURRENT ASSETS					
Debtors	10	89,424		58,978	
Cash at bank		158,468		273,878	
		247,892		332,856	
CREDITORS: amounts falling due within one year	11	(6,124)		(6,282)	
			241,768		326,574
NET ASSETS	13		£ 242,487		£ 327,180
CHARITY FUNDS					
Restricted Funds	12		19,957		121,734
Unrestricted - Designated Funds	12		-		3,230
Unrestricted - General Funds	12		222,530		202,216
			£ 242,487		£ 327,180

The financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005).

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

The notes on pages 17 to 24 form part of these financial statements.

SUSTAIN: THE ALLIANCE FOR BETTER FOOD AND FARMING

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2006

1. ACCOUNTING POLICIES

1.1 Basis of preparation of financial statements

The financial statements have been prepared under the historical cost convention, and in accordance with the Financial Reporting Standard for Smaller Entities (effective January 2005). The financial statements have been prepared in accordance with the Statement of Recommended Practice (SORP), "Accounting and Reporting by Charities" revised in 2005, 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.

Designated funds comprise unrestricted funds that have been set aside by the Trustees for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

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.

Direct costs, including directly attributable salaries, are allocated on an actual basis to the key strategic areas of activity. Overheads and other salaries are allocated between the expense headings on the basis of time spent.

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 and are allocated on the basis of staff cost.

Governance costs are those incurred in connection with enabling the Charity to comply with external regulation, constitutional and statutory requirements and in providing support to the Trustees in the discharge of their statutory duties.

SUSTAIN: THE ALLIANCE FOR BETTER FOOD AND FARMING

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2006

1. ACCOUNTING POLICIES (continued)

1.6 Cash flow

The financial statements do not include a cash flow statement because the charitable company, as a small reporting entity, is exempt from the requirement to prepare such a statement under the Financial Reporting Standard for Smaller Entities (effective January 2005).

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

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.

1.10 Comparatives

Some of the comparatives have been restated to more accurately comply with the accounting and disclosure requirement SORP 2005.

2. VOLUNTARY INCOME

	Restricted Funds 2006 £	Unrestricted Funds 2006 £	Total Funds 2006 £	<i>Total Funds 2005 £</i>
Donations	£ -	£ 6,078	£ 6,078	£ 14,659

SUSTAIN: THE ALLIANCE FOR BETTER FOOD AND FARMING

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2006

3. INCOMING RESOURCES FROM CHARITABLE ACTIVITY

	Restricted Funds 2006 £	Unrestricted Funds 2006 £	Total Funds 2006 £	Total Funds 2005 £
Bridge House Trust (City of London)	-	-	-	20,000
Co-operative Group	-	-	-	-
Countryside Agency	-	-	-	-
Department of Health	26,750	-	26,750	25,500
Department of Environment Food and Rural Affairs (DEFRA)	65,670	-	65,670	90,391
Environment Action Fund (DEFRA)	46,415	-	46,415	-
European Regional Development Fund	17,193	-	17,193	-
Joseph Rowntree Foundation	32,500	-	32,500	-
Kings Fund	20,000	-	20,000	40,000
London Development Agency	-	52,799	52,799	158,389
Mental Health Foundation	-	27,500	27,500	10,000
School Food Trust (Department for Education and Skills)	-	20,400	20,400	-
Tudor Trust	30,000	-	30,000	25,000
Other grants and income	34,963	38,665	73,628	90,578
Sales and publications	-	8,626	8,626	28,227
Subscriptions and other income	-	4,790	4,790	4,170
Membership fees	-	11,580	11,580	19,655
Total	£ 273,491	£ 164,360	£ 437,851	£ 511,910

4. RESOURCES EXPENDED

	Direct Staff Costs £	Other Direct Costs £	Support Costs £	2006 £	2005 £
Charitable Expenditure					
Health and Welfare	255,990	159,077	98,895	513,962	463,416
Other Expenditure					
Fundraising	6,993	-	1,664	8,657	11,305
Governance	2,331	5,887	1,815	10,033	9,372
Total	£ 265,314	£ 164,964	£ 102,374	£ 532,652	£ 484,093

SUSTAIN: THE ALLIANCE FOR BETTER FOOD AND FARMING

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2006

ANALYSIS OF SUPPORT COSTS

	Health and Welfare £	Fundraising £	Governance £	2006 £	2005 £
Staff costs	36,029	606	661	37,296	33,963
Office costs	39,577	666	727	40,970	35,518
Other costs	23,289	392	427	24,108	26,799
 Total	 <u>£ 98,895</u>	 <u>£ 1,664</u>	 <u>£ 1,815</u>	 <u>£ 102,374</u>	 <u>£ 96,280</u>

5. FUND RAISING COSTS

	Total Funds 2006 £	Total Funds 2005 £
Direct staff costs	6,993	9,057
Support costs	1,664	2,248
 Total	 <u>£ 8,657</u>	 <u>£ 11,305</u>

6. GOVERNANCE

	Total Funds 2006 £	Total Funds 2005 £
Direct staff costs	2,331	2,264
Auditors remuneration	5,887	5,170
Other expenses	-	73
Support costs	1,815	1,864
 Total	 <u>£ 10,033</u>	 <u>£ 9,372</u>

SUSTAIN: THE ALLIANCE FOR BETTER FOOD AND FARMING

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2006

7. NET INCOME / (EXPENDITURE)

This is stated after charging:

	2006 £	2005 £
Depreciation of tangible fixed assets: - owned by the charity	442	303
Auditors' remuneration - audit services	5,593	5,170
- non audit - accountancy assistance	294	-
	<u> </u>	<u> </u>

During the year, no Trustees received any remuneration (2005 - £NIL).

During the year, no Trustees received any benefits in kind (2005 - £NIL).

During the year, no Trustees received any reimbursement of expenses (2005 - £NIL).

8. STAFF COSTS AND NUMBERS

Staff costs were as follows:

	2006 £	2005 £
Wages and salaries	274,046	206,679
Social security costs	28,564	21,423
	<u> </u>	<u> </u>
	£ 302,610	£ 228,102
	<u> </u>	<u> </u>

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

	2006 No.	2005 No.
Health and Welfare	9	7
Governance	1	1
	<u> </u>	<u> </u>
	10	8
	<u> </u>	<u> </u>

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

SUSTAIN: THE ALLIANCE FOR BETTER FOOD AND FARMING

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2006

9. TANGIBLE FIXED ASSETS

	Furniture, fittings and equipment £
Cost	
At 1 April 2005	29,492
Additions	555
	30,047
At 31 March 2006	30,047
Depreciation	
At 1 April 2005	28,886
Charge for the year	442
	29,328
At 31 March 2006	29,328
Net book value	
At 31 March 2006	£ 719
	719
At 31 March 2005	£ 606
	606

10. DEBTORS

	2006 £	2005 £
Due within one year		
Debtors	31,888	26,821
Prepayments	2,746	2,815
Grants Receivable	54,790	29,342
	£ 89,424	£ 58,978
	89,424	58,978

11. CREDITORS: Amounts falling due within one year

	2006 £	2005 £
Other creditors	202	-
Accruals	5,922	6,282
	£ 6,124	£ 6,282
	6,124	6,282

SUSTAIN: THE ALLIANCE FOR BETTER FOOD AND FARMING

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2006

12. STATEMENT OF FUNDS

	Brought Forward £	Incoming Resources £	Resources Expended £	Transfers in/(out) £	Carried Forward £
DESIGNATED FUNDS					
Designated Funds	3,230	-	-	(3,230)	-
GENERAL FUNDS					
General Funds	202,216	174,468	104,385	(49,769)	222,530
Total unrestricted funds	205,446	174,468	104,385	(52,999)	222,530

Designated funds - the fund has been fully transferred to general funds so as to increase the general funds. Currently the Trustees feel there is no need to designate any funds.

RESTRICTED FUNDS

	Brought Forward £	Incoming Resources £	Resources Expended £	Transfers in/(out) £	Carried Forward £
Food Poverty	14,231	26,750	46,328	109	(5,238)
Childrens' Food Bill	2,079	66,702	59,315	-	9,466
London Food Link	43,771	63,876	127,695	18,711	(1,337)
Hospital Food project	12,154	85,670	97,824	-	-
Sustainable Food Chains	38,932	398	45,456	6,679	553
Mental Health Project	10,567	30,095	51,649	27,500	16,513
Subtotal	121,734	273,491	428,267	52,999	19,957
Total of Funds	£ 327,180	£ 447,959	£ 532,652	£ -	£ 242,487

Income, which is received for specific projects, are accounted for as restricted funds. Where funds are overspent a transfer is made from unrestricted funds. The balances on restricted funds as at 31 March 2006 arise from income 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:

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. The carry forward balance is in deficit at the year end, but funds have been secured to recover the deficit.

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.

London Food Link - In the nation's capital this project aims to help producers, consumers and retailers make positive choices for sustainable, local food. The carry forward balance is in deficit at the year end, but funds have been secured to recover the deficit.

SUSTAIN: THE ALLIANCE FOR BETTER FOOD AND FARMING

NOTES TO THE FINANCIAL STATEMENTS For the year ended 31 March 2006

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 creates appropriate policies to support the development of local food economies, focusing particularly on the use of sustainable food in public sector catering.

Mental Health Project - This project highlights the growing evidence of a link between nutrition and mental health and behaviour. Its aim is to promote mental health as a diet-related health issue.

SUMMARY OF FUNDS

	Brought Forward £	Incoming Resources £	Resources Expended £	Transfers in/(out) £	Carried Forward £
Designated Funds	3,230	-	-	(3,230)	-
General Funds	202,216	174,468	104,385	(49,769)	222,530
Subtotal	<u>205,446</u>	<u>174,468</u>	<u>104,385</u>	<u>(52,999)</u>	<u>222,530</u>
Restricted Funds	121,734	273,491	428,267	52,999	19,957
Total of Funds	<u>£ 327,180</u>	<u>£ 447,959</u>	<u>£ 532,652</u>	<u>£ -</u>	<u>£ 242,487</u>

13. ANALYSIS OF NET ASSETS BETWEEN FUNDS

	Restricted Funds 2006 £	Unrestricted Funds 2006 £	Total Funds 2006 £	Total Funds 2005 £
Tangible fixed assets	-	719	719	606
Current assets	21,551	226,341	247,892	332,856
Creditors due within one year	-	(6,124)	(6,124)	(6,282)
Difference	(1,594)	1,594	-	-
Total	<u>£ 19,957</u>	<u>£ 222,530</u>	<u>£ 242,487</u>	<u>£ 327,180</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.