

# 2017/2018 CHARITY FINANCES

Table 1

Statement of Financial Activities for the year ended 31 March 2018	Unrestricted Funds £'000	Restricted Funds £'000	Total 2017/18 £'000	Total 2016/17 £'000
<b>Incoming resources</b>				
Donations	735	188	923	1,633
Legacies	178	-	178	61
Membership subscriptions	796	-	796	838
Grants	-	2,211	2,211	4,967
Contract income	1,050	-	1,050	1,297
Income from trading subsidiaries	486	-	486	549
Other	662	-	662	207
<b>Total incoming resources</b>	<b>3,907</b>	<b>2,399</b>	<b>6,306</b>	<b>9,552</b>
<b>Resources expended</b>				
Farming for the Future	801	763	1,564	1,740
Food for Life	1,809	1,773	3,582	2,863
Communications and campaigns	617	-	617	547
Raising funds	622	-	622	581
<b>Total resources expended</b>	<b>3,849</b>	<b>2,536</b>	<b>6,385</b>	<b>5,731</b>
<b>Net incoming resources - before other gains and losses</b>	<b>58</b>	<b>(137)</b>	<b>(79)</b>	<b>3,821</b>
Gains/(Losses) on investments	(1)	-	(1)	12
Net incoming resources for the year	57	(137)	(80)	3,833
Total funds brought forward	2,075	3,830	5,905	2,072
<b>Total funds carried forward</b>	<b>2,132</b>	<b>3,693</b>	<b>5,825</b>	<b>5,905</b>

Balance Sheet as at 31 March 2018	Total 2017/18 £'000	Total 2016/17 £'000
<b>Assets and liabilities</b>		
Fixed assets	3,090	2,988
Current assets	6,254	6,320
Current liabilities	(2,010)	(1,924)
Long term liabilities	(1,509)	(1,479)
<b>Net assets</b>	<b>5,825</b>	<b>5,905</b>
<b>Funds and reserves</b>		
Unrestricted funds	2,132	2,075
Restricted funds	3,693	3,830
<b>Total funds</b>	<b>5,825</b>	<b>5,905</b>

*"This is a summary of the Charity's accounts taken from the 2017/18 audited statutory accounts of The Soil Association Limited. Copies of the full accounts are available on request from the Soil Association or can be accessed from our website or that of The Charity Commission."*

# 2017/18 FINANCIAL REVIEW

The Soil Association Charitable Group consists of The Soil Association Limited (the "Charity"), Soil Association Certification Limited ("Certification") our wholly owned not-for-profit trading subsidiary, SA Sales and Services Limited ("SASS") a wholly owned subsidiary used to transact non-primary purpose trading activities of the Charity and our sister charity The Soil Association Land Trust ("Land Trust").

## THE SOIL ASSOCIATION CHARITY

The financial performance of the Charity is shown in Table 1.

The Charity achieved an unrestricted funding surplus of £57k in the year, slightly down from £74k in the prior financial year. In our accounts charitable giving from supporters (donations, legacies and membership) shows as 25% lower than the prior financial year but once we remove the effects of one-off donations received for our new headquarters building, the underlying giving in support of our core charitable work has increased by 12% compared to the prior financial year.

Revenues from contract income, principally associated with our Food for Life work commissioned by the public sector, decreased by 19% compared to the prior financial year. This reduction is illustrative of the increasing challenge surrounding public sector funding. One notable success in 2017/18 was the award of a significant contract from the Scottish Government to extend our Innovative Farmers work into Scotland.

Revenues from restricted grants are shown as £2.2m, some £2.7m lower than the prior financial year, but this figure is affected by how charities are required to show grant income in their accounts. In many cases the full value of a multi-year grant will be shown in the year it is awarded, even though the corresponding expenditure is then shown over several following years. This complicates comparisons between financial years. In terms of restricted grants secured in 2017/18 there were notable successes relating to: Erasmus European funding to share learning from our Food for Life work, Scottish Government and local authority funding to extend Food for Life activities, John Ellerman

Foundation funding for agroforestry work, Ashden Trust funding for soil health policy and Horizon 2020 European funding for farming innovation.

Income from trading subsidiaries was £486k. This figure is principally composed of the licensing payment made by Certification for the exclusive use of our organic standards combined with their profit for the year which is gift-aided to the Charity. Part of the reason for the reduction from £549k in the prior financial year is a rebalancing of licensing and overhead costs payable to the Charity by Certification.

Income classified as 'Other' is significantly greater than the prior financial year due to the Food for Life Served Here scheme transferring from Certification into the Charity, plus a growth in commercial and consultancy income.

To generate increases in charitable donations and grant giving we have continued to invest in our fundraising capability, with these costs increasing by 7% compared to the prior financial year. The benefits of this

# 2017/2018 CONSOLIDATED CHARITABLE GROUP FINANCES

Table 2

Statement of Financial Activities for the year ended 31 March 2018	Unrestricted Funds £'000	Restricted Funds £'000	Total 2017/18 £'000	Total 2016/17 £'000
<b>Incoming resources</b>				
Donations	735	266	1,001	1,672
Legacies	178	-	178	143
Membership subscriptions	796	-	796	838
Grants	-	2,211	2,211	4,967
Contract income	1,050	-	1,050	1,297
Certification income	8,045	-	8,045	7,642
Other	727	-	727	266
<b>Total incoming resources</b>	<b>11,531</b>	<b>2,477</b>	<b>14,008</b>	<b>16,825</b>
<b>Resources expended</b>				
Farming for the Future	805	763	1,568	1,740
Food for Life	1,662	1,826	3,488	2,935
Communications and campaigns	622	-	622	550
Raising funds	659	-	659	597
Certification costs	7,725	-	7,725	7,123
<b>Total resources expended</b>	<b>11,473</b>	<b>2,589</b>	<b>14,062</b>	<b>12,945</b>
<b>Net incoming resources - before other gains and losses</b>	<b>58</b>	<b>(112)</b>	<b>(54)</b>	<b>3,880</b>
Gains/(Losses) on investments	(1)	-	(1)	12
<b>Net incoming resources for the year</b>	<b>57</b>	<b>(112)</b>	<b>(55)</b>	<b>3,892</b>
<b>Total funds brought forward</b>	<b>2,121</b>	<b>6,745</b>	<b>8,866</b>	<b>4,975</b>

Balance Sheet as at 31 March 2018	Total 2017/18 £'000	Total 2016/17 £'000
<b>Assets and liabilities</b>		
Fixed assets	6,997	7,226
Current assets	9,519	9,590
Current liabilities	(5,584)	(5,526)
Long term liabilities	(2,121)	(2,423)
<b>Net assets</b>	<b>8,811</b>	<b>8,867</b>
<b>Funds and reserves</b>		
Unrestricted funds	2,177	2,121
Restricted funds	6,634	6,746
<b>Total funds</b>	<b>8,811</b>	<b>8,867</b>

*"This is a summary of the Consolidated Charitable Group accounts taken from the 2017/18 audited statutory accounts of The Soil Association Limited. Copies of the full accounts are available on request from the Soil Association or can be accessed from our website or that of The Charity Commission."*

can be seen in the additional £70k we have been able to spend on communication and campaigning activities, the additional £225k of unrestricted spend on Farming for the Future and Food for Life activities, as well as securing the new grants referred to above.

The strength of our balance sheet represented by Net Assets is broadly comparable to the prior financial year, with no material one-off movements. As at the end of March 2018 our £2.13m of unrestricted reserves comprised investment in fixed assets of £3.09m (predominately associated with our headquarters building and IT systems), plus net current assets of £0.55m less £1.51m of long-term creditors (almost entirely comprising mortgage borrowing for our headquarters). Of the unrestricted reserves figure the Charity considers £0.34m to be free reserves, readily available to support charitable activities in the event of unexpected reductions in income/increases in cost. This level of free reserves is below the target set by the Board of Trustees which is to hold a minimum of £0.4m in 2019/20. The Trustees recognise that the level of free reserves is below the desired level and have sought to set appropriate financial targets to generate unrestricted operating surpluses going forward.

The £3.69m of restricted funds at the end of the year represents the balance of funding secured on projects where the grant funder has specified the charitable activities to be undertaken. These funds will be spent over the life of the projects in accordance with the grant conditions.

## THE SOIL ASSOCIATION CONSOLIDATED CHARITABLE GROUP

The financial performance of the Charitable Group is shown in Table 2. This consolidates Soil Association Certification Limited ("Certification"), SA Sales and Services Limited ("SASS") and The Soil Association Land Trust ("Land Trust") into The Soil Association Limited (the "Charity").

## CERTIFICATION

Certification revenues increased by 5% compared with the prior financial year. This represents continuing growth of our certification services, particularly within the organic food, forestry and health and beauty sectors. Profits from Certification gift-aided to the Charity were £113k up from £70k in the prior financial year.

## SASS

For reasons of tax efficiency, the Charity uses SASS to transact non-primary purpose trading activities that would otherwise be subject to corporation tax. Income from these activities are relatively modest with the profit generated gift-aided to the Charity. Profits were £18k in 2017/18 compared with £30k in the prior financial year.

## LAND TRUST

The Land Trust, a separate charity of which the Soil Association Charity is the sole member, generated an operating surplus from donations, legacies and property rental of £25k in 2017/18 compared to £58k in the prior financial year, the reduction principally due to lower legacy income. The Land Trust holds significant fixed assets in the form of its farms and farming equipment, there were no material additions or disposals during the year.