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REGISTERED IN ENGLAND
COMPANY NO. 4712419
CHARITY NO. 1097174

THE MORLEY AGRICULTURAL FOUNDATION
(a company incorporated under guarantee)

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2005



LARKING GOWEN
CHARTERED ACCOUNTANTS
DISS

THE MORLEY AGRICULTURAL FOUNDATION

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2005

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THE MORLEY AGRICULTURAL FOUNDATION

OFFICERS AND ADVISERS

FOR THE YEAR ENDED 31 AUGUST 2005

President: The Marquess Townshend of Raynham DCL, FRSA

Directors: N J Steed (Chairman)
M J W Gamble
Mrs C E A P Hill
P Hovesen
P E Richardson
R J Salmon
J S Wallace

Company secretary: R B Osborne

Trust address and registered office: Morley
Wymondham
Norfolk
NR 18 9DB

Bankers: Barclays Bank plc
PO O Box 614
1st Floor St Cuthberts House
7 Upper King Street
Norwich
NR3 1WX

Solicitors: Eversheds
Holland Court
The Close
Norwich
NR1 4DX

Birketts Solicitors
16-18 Queen Street
Norwich
NR2 2SQ

Auditors: Larking Gowen
Chartered Accountants
Faiers House
Gilray Road
Diss
Norfolk
IP22 4WR

Investment managers: J P Morgan International Bank Ltd
125 London Wall
London
EC2Y 5AJ

THE MORLEY AGRICULTURAL FOUNDATION

TRUSTEES' REPORT

The directors, who are also the trustees of the charity, present their annual report and the audited financial statements for the year ended 31 August 2005.

PRINCIPAL ACTIVITIES AND OBJECTIVES

The Foundation exists to promote for public benefit the study and knowledge of agricultural science and the application of modern techniques to agriculture and husbandry in all their branches.

The Foundation's remit was met during the period by:

- Grants to The Arable Group to support its activities in the second year of the merger between Morley Research Centre and Arable Research Centres.
- Grants to Reading University to support research by nominated PhD students.

STATUS

The organisation is a charitable company limited by guarantee, incorporated on 26 March 2003 and registered as a charity on 23 April 2003 under the number 1097174.

The company was established under a Memorandum of Association which established the objects and powers of the charitable company and is governed under its Articles of Association.

ORGANISATIONAL STRUCTURE

The charity is controlled by its directors. Under the company's Articles of Association, the directors are elected at the AGM. At each AGM, one-third of the elected directors will retire. If a vacancy is not filled, a retiring director, if willing, is deemed to be re-elected. All directors except an elected director retiring by rotation, must be nominated in writing to the chairman by at least three members, two of which must already be directors. The directors may appoint a person who is willing to act to be an elected director either to fill a vacancy or as an additional director but shall hold office only until the next AGM where he may be reappointed.

Members of the Council, who are directors for the purpose of company law and trustees for the purpose of charity law, who served during the year and up to the date of this report are set out on page 1.

Members of the charitable company guarantee to contribute an amount not exceeding £1 to the assets of the charitable company in the event of winding up. The total number of such guarantees at 31 August 2005 was 848.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The Foundation's net incoming resources amounted to a net deficit of £58,158 as shown in the Consolidated Statement of Financial Activities on page 8.

After adding realised gains on the disposal of quoted investments of £290,758, and the unrealised gains on the revaluation of the investment portfolio at the year end of £767,743, there was a net increase in funds of £1,000,343.

The Foundation believes it is vital for the agricultural industry that there should continue to be a viable national independent research organisation and will continue to support The Arable Group where appropriate for at least another year.

The Foundation will seek to fund, by itself or jointly with others, relevant agricultural research and education, preferably within East Anglia.

THE MORLEY AGRICULTURAL FOUNDATION

TRUSTEES' REPORT (CONT'D)

RELATED PARTIES

In pursuit of its charitable objectives, the company co-operates with a number of other charities including:

The Arable Group
The Chadacre Agricultural Trust
The Perry Foundation

The directors noted below serve on the board of the following charities:

P E Richardson	The Arable Group
Mr R J Salmon	The Arable Group
J S Wallace	The Chadacre Agricultural Trust

RESERVES POLICY

The directors regard the charity's property and investment assets and its temporary loan of £350,000 to The Arable Group as permanent funds which are to be retained for capital growth and to produce income from which grants can be made to meet its charitable objectives. The remaining funds of the charity are regarded as free reserves and as at 31 August 2005 amounted to £367,091. The directors intend to use substantially all of the surplus investment income for the purpose of making grants, retaining free reserves of less than £500,000.

RISK MANAGEMENT

The directors conducted a review of the major risks to which the charity is exposed during the previous financial period and systems were established to mitigate those risks. Those systems and levels of authorisation are still operational. The directors have further decided that a full review of health and safety procedures will be undertaken with special emphasis on those of its subsidiary company, Morley Farms Ltd. At the first Board meeting in 2006, a director will be nominated to lead that review.

INVESTMENT POLICY

The directors have accepted a recommendation from J P Morgan Private Bank to switch the asset portfolio management to another group company, J P Morgan Asset Management, who specialise in managing funds for charities. An alternative strategy of using a local regional broker was considered but rejected. The directors will review who manages the portfolio again in three years. The switch within J P Morgan will take place on 25 December 2005.

The performance of J P Morgan is constantly monitored using WM Performance Services data.

The Foundation continues to keep its properties well maintained and they are all currently occupied and creating rental income. The long term future of The Old Rectory at Morley, which prior to the merger with The Arable Group, was the headquarters for Morley Research Centre, is under review.

A largely disused property known as the Black Barn on Manor Farm is to be sold with a relevant parcel of land once outline planning permission is received.

The outline planning permission for an office at Manor Farm originally granted to Morley Research Centre has been transferred to The Morley Agricultural Foundation.

THE MORLEY AGRICULTURAL FOUNDATION

TRUSTEES' REPORT (CONT'D)

TAXATION

The company has no liability to corporation tax or capital gains tax.

FIXED ASSETS

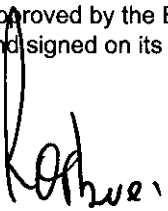
Movements in fixed assets are shown in the notes to the accounts. The land and buildings were independently valued on 11 September 2003.

AUDITORS

Larking Gowen were appointed as auditors on 9 May 2005. They have expressed their willingness to continue in office as auditors and a resolution to reappoint them will be proposed at the forthcoming Annual General Meeting.

This report has been prepared in accordance with the Statement of Recommended Practice - Accounting and Reporting Charities issued in October 2000.

Approved by the Executive Board on
and signed on its behalf by:



R B Osborne
Secretary

Date: 19.12.05

THE MORLEY AGRICULTURAL FOUNDATION

STATEMENT OF TRUSTEES RESPONSIBILITIES

Company law 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 charitable company at the balance sheet date and of its incoming resources and application of resources, including income and expenditure, for the financial year. In preparing those financial statements, the trustees should follow best practice and:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards and statements of recommended practice have been followed, subject to any departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charity will continue in operation.

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



CHARTERED
ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT TO THE TRUSTEES OF THE MORLEY AGRICULTURAL FOUNDATION

We have audited the financial statements on pages 8 to 21 of The Morley Agricultural Foundation for the year ended 31 August 2005 which have been prepared under the historical cost convention and the accounting policies set out on pages 11 and 12.

This report is made solely to the company's members, as a body, in accordance with section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company and the company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of trustees and auditors

The trustees' (who are also the directors of the The Morley Agricultural Foundation for the purposes of company law) responsibilities for preparing the Trustees' Annual Report and the financial statements in accordance with applicable law and United Kingdom Accounting Standards are set out in the Statement of Trustees' Responsibilities.

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 Charities Act 1993. We also report to you if, in our opinion, the Trustees' Annual Report is not consistent with the financial statements, if the charity 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 charity 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 charity's circumstances, consistently applied and adequately disclosed.



**CHARTERED
ACCOUNTANTS**

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 an opinion we also evaluated the overall accuracy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the charity's state of affairs as at 31 August 2005 and of its 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.

A handwritten signature in cursive script, appearing to read 'Larking', followed by a long horizontal line extending to the right.

**LARKING GOWEN
REGISTERED AUDITORS**

Norfolk

21 December 2005

THE MORLEY AGRICULTURAL FOUNDATION

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (including Income and Expenditure Account) FOR THE YEAR ENDED 31 AUGUST 2005

	Notes	Unrestricted Fund £	Restricted Fund £	Total Funds 2005 £	Total Funds 2004 £
Incoming resources					
Donations and similar incoming resources	3	-	10,494	10,494	9,900
Activities for generating funds:					
Income from farming activities	2	144,188	-	144,188	426,498
Investment income	4	424,249	-	424,249	526,208
Net gain on disposal of fixed assets		25,400	-	25,400	6,423
Assets transferred by deed of gift from Morley Research Centre				-	11,243,801
Other incoming resources		6,414	-	6,414	10,408
Total incoming resources		600,251	10,494	610,745	12,223,238
Resources expended					
Cost of generating funds					
Farming costs	6	217,880	-	217,880	240,519
Charitable expenditure:					
Grants payable in furtherance of the charity's objects	7	307,089	10,494	317,583	557,644
Support costs	8	21,983	-	21,983	14,565
Management and administration	9	111,457	-	111,457	181,775
		440,529	10,494	451,023	753,984
Total resources expended		658,409	10,494	668,903	994,503
Net income / (expenditure) for the period		(58,158)	-	(58,158)	11,228,735
Other recognised gains and losses					
Realised gains on quoted investments	13	290,758	-	290,758	281,834
Unrealised gains on quoted investments	13	767,743	-	767,743	414,696
Net movement in funds		1,000,343	-	1,000,343	11,925,265
Balances brought forward at 1 September 2004		11,925,265	-	11,925,265	-
Balances carried forward at 31 August 2005	18	12,925,608	-	12,925,608	11,925,265

All activities derive from continuing activities. The surplus for the period for Companies Act purposes comprises the net income for the period plus realised gains on investments and was £232,600. Page 10 gives details of changes in resources applied for fixed assets for charity use.

THE MORLEY AGRICULTURAL FOUNDATION

BALANCE SHEET

AS AT 31 AUGUST 2005

	Notes	2005		2004	
		Charity £	Consolidated £	Charity £	Consolidated £
Fixed assets					
Tangible assets	12	3,846,862	4,053,853	3,846,862	4,049,799
Investments (quoted)	13	8,154,613	8,154,613	7,087,260	7,087,260
Investments (unquoted)	14	387,387	50	387,387	50
		<hr/>	<hr/>	<hr/>	<hr/>
		12,388,861	12,208,516	11,321,509	11,137,109
		<hr/>	<hr/>	<hr/>	<hr/>
Current assets					
Debtors	15	533,207	842,032	582,624	896,339
Cash at bank		109,353	109,555	84,026	84,026
		<hr/>	<hr/>	<hr/>	<hr/>
		642,561	951,587	666,650	980,365
Creditors: amounts falling due within one year	16	(44,238)	(234,495)	(58,617)	(192,209)
		<hr/>	<hr/>	<hr/>	<hr/>
Net current assets/(liabilities)		598,323	717,092	608,033	788,156
		<hr/>	<hr/>	<hr/>	<hr/>
Total net assets		12,987,185	12,925,608	11,929,542	11,925,265
		<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Unrestricted funds					
General fund	18	11,804,745	11,743,168	11,514,846	11,510,569
Revaluation reserve		1,182,439	1,182,439	414,696	414,696
		<hr/>	<hr/>	<hr/>	<hr/>
		12,987,184	12,925,607	11,929,542	11,925,265
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Approved by the Executive Board on 19.12.05 and signed on its behalf by:

N Steed
Chairman



THE MORLEY AGRICULTURAL FOUNDATION

CONSOLIDATED CASHFLOW STATEMENT

FOR THE YEAR ENDED 31 AUGUST 2005

	Notes	2005 £	2004 £
Net cash (outflow) / inflow from operating activities	23	(364,163)	503,838
Returns on investments and servicing of finance	24	422,034	526,111
Capital expenditure and financial investments	24	(68,348)	(968,551)
(Decrease) / increase in cash in the year	25	(10,477)	61,398

THE MORLEY AGRICULTURAL FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2005

1. Principal accounting policies

a. Accounting convention

The financial statements are prepared under the historical cost convention, as modified by the inclusion of tangible assets and investments at market value, the Companies Act 1985 and follow the recommendations in *Accounting and Reporting by Charities: Statement of Recommended Practice* issued in October 2000. The statement of financial activities (SOFA) and balance sheet consolidate the financial statements of the Charity and its subsidiary undertaking. The results of the subsidiary are consolidated on a line by line basis.

b. Consolidated accounts

The consolidated accounts incorporate the results of the company and its wholly owned trading subsidiary, Morley Farms Ltd.

c. Incoming resources

All incoming resources are included in the SOFA when the charity is legally entitled to the income and the amount can be quantified with reasonable accuracy.

d. Grants income

Grants are recognised in full in the Statement of Financial Activities in the year in which they are due to be received.

e. Resources expended

All expenditure is accounted for on an accruals basis.

f. Depreciation

Depreciation is provided on fixed assets at rates sufficient to write off the costs of the assets less their estimated residual value over their expected useful lives. The principal annual rates used for this purpose are:

Implements and machinery	15% to 25% straight line or reducing balance
Motor vehicles and tractors	25% reducing balance or 25% straight line
Computer equipment	33 1/3% straight line

g. Quoted investments

Quoted investments are stated at their market value. The profit/loss on sale of investments represents the difference between the proceeds of the sale and the balance sheet value at the previous 31 August or subsequent cost where appropriate. The SOFA includes the net gains and losses arising on revaluations and disposals throughout the period.

THE MORLEY AGRICULTURAL FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2005

h. Investment property

In accordance with SSAP 19, investment properties are not depreciated. The directors consider that this accounting policy, which represents a departure from the statutory accounting principles, is necessary to provide a true and fair view as these properties are not held for consumption but for investment and the directors feel that systematic depreciation would not be appropriate. Depreciation or amortisation is only one of the many factors reflected in the annual valuation and the amount which might otherwise have been shown cannot be separately identified or quantified.

Investment properties are subject to annual valuations and are stated at their open market value based on such valuations. Changes in the value of the investment properties are disclosed in the statement of total recognised gains and losses (being a movement on an investment revaluation reserve), unless a deficit (or its reversal) on an individual investment property is expected to be permanent, in which case it is charged (or credited) to the profit and loss account of the period.

i. Pension contributions

Morley Farms Limited makes contributions to the Personal Pension Policies of certain employees. The charge in the accounts represents the contributions payable by Morley Farms Limited to the Personal Pension Policies for the accounting period.

j. Funds

The charity maintains two types of fund as follows:

Unrestricted funds represent unrestricted income which is expendable at the discretion of the trustees in furtherance of the objectives of the charity.

Restricted funds represent amounts received which are allocated by the donor for a specific purpose.

THE MORLEY AGRICULTURAL FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2005

2. Net income from trading activities of subsidiary

The company has a wholly owned subsidiary, Morley Farms Ltd. The company's principal activity is that of contract farming. All activities have been consolidated on a line by line basis in the SOFA. A summary of the results is noted below:

	2005 £	2004 £
Turnover	144,188	426,498
Cost of sales	(192,480)	(234,096)
	<hr/>	<hr/>
Gross profit	(48,292)	192,402
Administrative expenses	(32,145)	(43,971)
Other operating income	5,691	414
Interest receivable	17,447	11,747
	<hr/>	<hr/>
Net profit	(57,300)	160,592
	<hr/>	<hr/>
Gift aid payment to the charity	-	166,000
	<hr/>	<hr/>
The aggregate of the assets, liabilities and funds is:		
Assets	566,930	641,929
Liabilities	(241,120)	(258,819)
	<hr/>	<hr/>
Funds	325,810	383,110
	<hr/>	<hr/>

3. Donations and similar incoming resources

	Consolidated	
	2005 £	2004 £
Grants	10,494	9,900
	<hr/>	<hr/>

THE MORLEY AGRICULTURAL FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2005

4. Income from investments	Consolidated	
	2005	2004
	£	£
Equities - quoted	138,928	280,807
Gilts and government securities	128,430	73,433
Bank deposits	3,936	27,755
Rents	107,473	131,553
Other interest	45,483	12,660
	<hr/>	<hr/>
	424,249	526,208
	<hr/> <hr/>	<hr/> <hr/>
5. Assets transferred by deed of gift		
Assets transferred by deed of gift from Morley Research Centre:		
On 3 April 2003	Freehold property	- 3,833,418
	Investment portfolio	- 5,470,256
	Bank balances	- 1,552,740
On 31 August 2003	Shares in Morley Farms Ltd	- 387,387
		<hr/>
		- 11,243,801
		<hr/> <hr/>
6. Farming costs		
Cost of sales	57	-
Cost of employment	88,431	92,606
Property costs	10,330	18,960
Equipment and vehicles	119,061	128,953
	<hr/>	<hr/>
	217,880	240,519
	<hr/> <hr/>	<hr/> <hr/>
7. Grants payable to other organisations		
To support PhD research	18,922	11,148
The Arable Group Ltd - assistance re ADAS acquisition	-	200,000
Morley historical archive project	48,421	41,907
Arable research projects	250,000	250,029
Other grants	240	54,560
	<hr/>	<hr/>
	317,583	557,644
	<hr/> <hr/>	<hr/> <hr/>

The company has conditionally agreed to make a further grant to The Arable Group Limited of up to £250,000 in the year ended 31 August 2006.

THE MORLEY AGRICULTURAL FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2005

12. Tangible fixed assets - Company

	Investment property £
Valuation	
At 1 September 2004 and 31 August 2005	3,846,862
Depreciation	
At 1 September 2004 and 31 August 2005	-
Net book value at 31 August 2004 and 31 August 2005	3,846,862

Tangible fixed assets - Consolidated	Investment property £	Motor vehicles & tractors £	Implements and machinery £	Computer equipment £	Total £
Cost or valuation					
At 1 September 2004	3,846,862	365,210	386,515	1,723	4,600,310
Additions	-	79,701	22,295	-	101,996
Disposals	-	(63,475)	(42,577)	-	(106,052)
Revaluation	-	-	-	-	-
At 31 August 2005	3,846,862	381,436	366,233	1,723	4,596,254
Depreciation					
At 1 September 2004	-	228,574	321,363	574	550,511
Charge for the year	-	59,802	20,466	574	80,842
On disposals	-	(51,574)	(37,378)	-	(88,952)
At 31 August 2005	-	236,802	304,451	1,148	542,401
Net book value at 31 August 2005	3,846,862	144,634	61,782	575	4,053,853
Net book value at 31 August 2004	3,846,862	136,636	65,152	1,149	4,049,799

The freehold investment property was valued by Messrs. Irelands, Chartered Surveyors in September 2003. Mr M J W Gamble, a partner in Messrs. Irelands, is a director of the company.

THE MORLEY AGRICULTURAL FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2005

13. Investments (quoted)	2005	2004
	£	£
Market value at 1 September 2004	7,087,260	-
Transfer from Morley Research Centre	-	5,470,256
Acquisitions at cost	3,636,901	6,821,748
Sale proceeds from disposal	(3,628,049)	(5,901,274)
Unrealised profit in the year	767,743	414,696
Realised profit in the year	290,758	281,834
	<hr/>	<hr/>
Market value at 31 August 2005	8,154,613	7,087,260
	<hr/>	<hr/>

Individual investments held at 31 August 2005 which are over 5% of the total portfolio by value are:

	Market value	
	2005	2004
	£	£
UK Treasury 5.75% 2009	1,011,595	692,869
UK Treasury 8% 2013	565,082	635,671
UK Gilts 5% 2025	1,144,711	-
J P Morgan Fleming Fund	-	363,276
J P Morgan Fleming Liquidity	-	443,050
	<hr/>	<hr/>

Investments at historical cost as at 31 August 2005 comprise:	2005	2004
	£	£
Investment portfolio	6,972,184	6,672,563
	<hr/>	<hr/>

Investments are revalued annually at a value determined by the trust's investment managers, J P Morgan International Bank Limited.

14. Investments (unquoted)	Company		Consolidated	
	2005	2004	2005	2004
	£	£	£	£
At cost				
Anglia Farmers Ltd				
50 Ordinary shares of £1 each fully paid	-	-	50	50
Morley Farms Ltd				
387,387 Ordinary shares of £1 each fully paid	387,387	387,387	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	387,387	387,387	50	50
	<hr/>	<hr/>	<hr/>	<hr/>

THE MORLEY AGRICULTURAL FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2005

14. Investments (unquoted) - continued

Details of group companies at the balance sheet date are as follows:

Name of company	Class of shares	Holding	Year end
Morley Farms Ltd - Contract farmer	Ordinary	100%	31 August

15. Debtors

	Company		Consolidated	
	2005	2004	2005	2004
	£	£	£	£
Trade debtors	72,546	52,431	120,934	54,373
Other debtors	350,152	404,890	688,839	840,759
Prepayments	1,104	76	19,551	76
Deferred tax	-	-	12,708	1,131
Amount due from subsidiaries	109,406	125,227	-	-
	<u>533,207</u>	<u>582,624</u>	<u>842,032</u>	<u>896,339</u>

Other debtors include a loan to The Arable Group of £350,000. A balance of £300,000 is due to be repaid after one year (2004 - £350,000).

16. Creditors: amounts falling due within one year

	Company		Consolidated	
	2005	2004	2005	2004
	£	£	£	£
Bank loans and overdrafts	3,527	-	58,634	22,628
Trade creditors	4,864	22,277	77,971	90,026
Other creditors	545	8,576	55,981	45,094
Accruals	35,301	27,764	41,909	34,461
	<u>44,238</u>	<u>58,617</u>	<u>234,495</u>	<u>192,209</u>

17. Operating lease commitments

	Company		Consolidated	
	2005	2004	2005	2004
	£	£	£	£
Annual commitments under operating leases.				
Operating leases expiring:				
Within two to five years	-	-	-	2,940
	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,940</u>

THE MORLEY AGRICULTURAL FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2005

18. Reconciliation of movements in funds

Company	General fund	Revaluation reserve	Total
	£	£	£
Opening reserves	11,514,846	414,696	11,929,542
Surplus for the year	289,899	-	289,899
Surplus arising on revaluation of fixed asset investments	-	767,743	767,743
Closing reserves	11,804,745	1,182,439	12,987,184

Consolidated	General fund	Revaluation reserve	Total
	£	£	£
Opening reserves	11,510,569	414,696	11,925,265
Surplus for the year	232,599	-	232,599
Surplus arising on revaluation of fixed asset investments	-	767,743	767,743
Closing reserves	11,743,168	1,182,439	12,925,607

The restricted fund relates to the part sponsorship of a PhD student from Reading University assisted by a grant from The Chadacre Agricultural Trust.

All funds at the period end relate to unrestricted funds.

19. Taxation

The charitable company is exempt from corporation tax on its charitable activities.

20. Related parties

The company has taken advantage of the exemption conferred by Financial Reporting Standard 8 paragraph 3(c) not to make disclosure concerning intercompany transactions.

The following directors are trustees of charities with which the Group has an association:

P E Richardson	The Arable Group
Mr R J Salmon	The Arable Group
J S Wallace	The Chadacre Agricultural Trust

21. Control

The company is controlled by the trustees who are listed on page 1.

THE MORLEY AGRICULTURAL FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2005

22. Results of The Morley Agricultural Foundation

In accordance with the exemption provisions of section 230 of the Companies Act 1985, a separate Income and Expenditure Account for the parent undertaking has not been presented. The net surplus arising in the Income and Expenditure Account of the parent company was £289,899 (2004 - £11,929,542).

23. Cash flow information for the group

Reconciliation of changes in resources to net inflow from operating activities.

	2005	2004
	£	£
Net incoming resources before revaluations	(58,158)	11,228,735
Non-cash donation	-	(9,691,061)
Depreciation	80,842	93,522
Gain on disposal of fixed assets	(25,400)	(6,423)
Decrease in stock	-	131,809
Increase in debtors	54,307	(896,339)
Increase in creditors	6,280	169,706
Investment income	(424,249)	(526,208)
Interest payable	2,215	97
	<hr/>	<hr/>
Net cash (outflow) / inflow from operating activities	(364,163)	503,838
	<hr/>	<hr/>

24. Analysis of cashflow for headings netted in the cashflow statement

	2005	2004
	£	£
Returns on investment and servicing of finance		
Investment income	424,249	526,208
Interest payable	(2,215)	(97)
	<hr/>	<hr/>
Net cash inflow for returns on investments and servicing of finance	422,034	526,111
	<hr/>	<hr/>
Capital expenditure and financial investment		
Sale of tangible fixed assets	42,500	16,100
Purchase of tangible fixed assets	(101,996)	(64,127)
Purchase of fixed asset investments	(3,636,901)	(6,821,798)
Sale of fixed asset investments	3,628,049	5,901,274
	<hr/>	<hr/>
	(68,348)	(968,551)
	<hr/>	<hr/>

THE MORLEY AGRICULTURAL FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2005

25. Analysis of changes in net funds

	Company		Consolidated	
	2005	2004	2005	2004
			£	£
Cash at bank	109,353	84,026	109,555	84,026
Bank overdraft	(3,527)	(22,628)	(58,634)	(22,628)
	<hr/>	<hr/>	<hr/>	<hr/>
	105,826	61,398	50,921	61,398
	<hr/>	<hr/>	<hr/>	<hr/>