

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 2006



LARKING GOWEN
CHARTERED ACCOUNTANTS
DISS

THE MORLEY AGRICULTURAL FOUNDATION

REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2006

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THE MORLEY AGRICULTURAL FOUNDATION

OFFICERS AND ADVISERS

FOR THE YEAR ENDED 31 AUGUST 2006

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: The Old Rectory
Deopham Road
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: 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 2006.

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 third year of the merger between Morley Research Centre and Arable Research Centres.
- Grants to support research by nominated PhD students.
- Allocation of land to assist the East of England Apples and Orchards project and others to preserve Norfolk and Suffolk varieties.

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 2006 was 819.

REVIEW OF DEVELOPMENTS AND FUTURE PROSPECTS

The Foundation's net incoming resources amounted to a net surplus of £311,942 as shown in the Consolidated Statement of Financial Activities on page 8.

After adding realised gains on the disposal of quoted investments of £493,265, and the unrealised gains on the revaluation of the investment portfolio at the year end of £142,812, there was a net increase in funds of £948,019.

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.

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.

During the year, the directors noted below served on the board of the following charities:

P E Richardson	The Arable Group
Mr R J Salmon	The Arable Group

RESERVES POLICY

The directors continue to regard the charity's property and investment assets and its temporary loan of £300,000 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 2006 amounted to £569,674 (2005 - £479,084) which excludes funds set aside for future capital expenditure. 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. A director has been nominated to review the whole farm operation including its contracting arrangements with third parties and its operational procedures including staffing levels and health and safety procedures. That review is ongoing and expected to be completed within the current financial year.

INVESTMENT POLICY

Following advice from J P Morgan, the directors have switched out of an asset portfolio into a specialist charity fund managed by J P Morgan. A minor proportion of the asset portfolio has been invested in emerging markets, also managed by J P Morgan.

Several of the residential properties have undergone substantial renovation in this financial year and another is programmed for the current financial year.

A semi derelict property at Morley, known as the Black Barn, was deemed by the directors to be surplus to requirements and sold at auction.

The trustees are also actively considering the suitability of the occupation of the Old Rectory as the Foundation's headquarters. Further investment in the charity's property portfolio is being considered to provide a useful headquarters for the charity as well as generating income and plans are currently being discussed with planners and surveyors.

SUBSIDIARY

The directors have agreed to address the concerns of the Charity Commission regarding inter-company loans by considering the following action:

- an increase in the share capital of its subsidiary, Morley Farms Ltd, which will enable Morley Farms Ltd to repay part of the balances due to the Foundation,
- set up a loan agreement with Morley Farms Ltd for the repayment of the balance due to the Foundation.

THE MORLEY AGRICULTURAL FOUNDATION

TRUSTEES' REPORT (CONT'D)

SUBSIDIARY (continued)

The directors are also taking advice as to whether the arrangement by which all profits made by Morley Farms Ltd are subvented to the Foundation should continue.

The directors will continue to consider the options available and hope to reach a decision before the end of the company's next financial period.

The directors continue to monitor performance against an annual budget and have introduced an extension to that budget of a three year forward plan. This will assist the directors in their decision process to commit to grants covering more than one financial year.

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 re-appointed as auditors on 26 January 2006. 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 January 2005.

Approved by the Board on 6 December 2006 and signed on its behalf by:



R B Osborne
Secretary

Date 06.12.06

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.

STATEMENT OF DISCLOSURE TO AUDITOR

So far as each director is aware, there is no relevant audit information of which the company's auditors are unaware. Each director has taken all the steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the company's auditors are aware of that information.



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

We have audited the group and parent company financial statements on pages 8 to 19 of The Morley Agricultural Foundation for the year ended 31 August 2006 which have been prepared under the historical cost convention and the accounting policies set out on pages 10 and 11.

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 (United Kingdom Generally Accepted Accounting Practice) 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 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' 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 the implications for our report if we become aware of any apparent misstatements within it.

Basis of Audit Opinion

We conducted our audit in accordance with 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 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.

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 state of the group's and the parent company's affairs as at 31 August 2006 and of the group's 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; and

- the information given in the Trustees' Annual Report is consistent with the financial statements.

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

LARKING GOWEN
REGISTERED AUDITORS

Norfolk

Date:

THE MORLEY AGRICULTURAL FOUNDATION

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES (including Income and Expenditure Account) FOR THE YEAR ENDED 31 AUGUST 2006

	Notes	Unrestricted Fund £	Restricted Fund £	Total Funds 2006 £	Total Funds 2005 £
Incoming resources					
Incoming resources from generated funds					
Voluntary income	3	5,783	11,124	16,907	10,494
Activities for generating funds	2	353,404	-	353,404	144,188
Investment income	4	445,590	-	445,590	424,249
Net gain on disposal of fixed assets		283,763	-	283,763	25,400
Other incoming resources		8,294	-	8,294	6,414
Total incoming resources		1,096,834	11,124	1,107,958	610,745
Resources expended					
Cost of generating funds					
Fundraising trading: farming costs	5	383,383	-	383,383	231,180
Investment management costs	6	87,325	-	87,325	75,881
Charitable activities	7	286,154	11,124	297,278	321,559
Governance costs	8	28,030	-	28,030	40,283
Total resources expended		784,892	11,124	796,016	668,903
Net incoming/(outgoing) resources before other recognised gains and losses		311,942	-	311,942	(58,158)
Other recognised gains and losses					
Realised gains on investment assets	12	493,265	-	493,265	290,758
Net income/(expenditure) for the year		805,207	-	805,207	232,600
Unrealised gains on investment assets	12	142,812	-	142,812	767,743
Net movement in funds		948,019	-	948,019	1,000,343
Balances brought forward at 1 September 2005		12,925,608	-	12,925,608	11,925,265
Balances carried forward at 31 August 2006		13,873,627	-	13,873,627	12,925,608

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 £1,987,645 (2005: £232,600). Page 9 gives details of changes in resources applied for fixed assets for charity use.

THE MORLEY AGRICULTURAL FOUNDATION

BALANCE SHEET

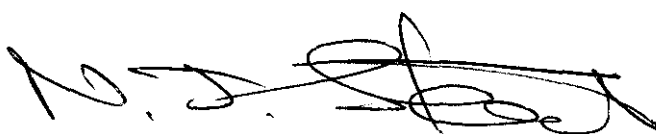
AS AT 31 AUGUST 2006

	Notes	2006		2005	
		Charity £	Consolidated £	Charity £	Consolidated £
Fixed assets					
Tangible assets	11	3,864,846	4,068,488	3,846,862	4,053,853
Investments (quoted)	12	8,657,056	8,657,056	8,154,613	8,154,613
Investments (unquoted)	13	387,387	50	387,387	50
		<hr/>	<hr/>	<hr/>	<hr/>
		12,909,289	12,725,594	12,388,862	12,208,516
		<hr/>	<hr/>	<hr/>	<hr/>
Current assets					
Stock	14	-	171,745	-	-
Debtors	15	637,185	553,818	533,207	842,032
Cash at bank		482,123	492,060	109,353	109,555
		<hr/>	<hr/>	<hr/>	<hr/>
		1,119,309	1,217,623	642,560	951,587
		<hr/>	<hr/>	<hr/>	<hr/>
Creditors: amounts falling due within one year	16	(11,246)	(69,590)	(44,238)	(234,495)
		<hr/>	<hr/>	<hr/>	<hr/>
Net current assets/(liabilities)		1,108,063	1,148,033	598,322	717,092
		<hr/>	<hr/>	<hr/>	<hr/>
Total net assets		14,017,352	13,873,627	12,987,184	12,925,608
		<hr/>	<hr/>	<hr/>	<hr/>
		<hr/>	<hr/>	<hr/>	<hr/>
Unrestricted funds					
General fund	18	13,874,540	13,730,815	11,804,745	11,743,169
Revaluation reserve		142,812	142,812	1,182,439	1,182,439
		<hr/>	<hr/>	<hr/>	<hr/>
		14,017,352	13,873,627	12,987,184	12,925,608
		<hr/>	<hr/>	<hr/>	<hr/>
		<hr/>	<hr/>	<hr/>	<hr/>

These financial statements have been prepared in accordance with the special provisions of Part VII of the Companies Act 1985 relating to small companies.

Approved by the Board on 6 December 2006 and signed on its behalf by:

N Steed
Chairman



THE MORLEY AGRICULTURAL FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2006

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 special provisions of Part VII of the Companies Act 1985 and follow the recommendations in *Accounting and Reporting by Charities: Statement of Recommended Practice* issued in March 2005. 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 realised 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 2006

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. Stocks

Stocks are valued at the lower of cost and net realisable value.

j. 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.

k. Deferred tax

Deferred tax is provided in full in respect of taxation deferred by the subsidiary by timing differences between the treatment of certain items for taxation and accounting purposes. The deferred tax balance has not been discounted.

l. 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 2006

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:

	2006 £	2005 £
Turnover	353,404	144,188
Cost of sales	(424,762)	(192,481)
	<hr/>	<hr/>
Gross profit	(71,358)	(48,293)
Administrative expenses	(23,008)	(33,558)
Other operating income	8,293	5,691
Interest receivable	1,510	17,447
Interest payable	(13,925)	(10,164)
	<hr/>	<hr/>
Net profit	(98,488)	(68,877)
	<hr/>	<hr/>

The aggregate of the assets, liabilities and funds is:

Assets	584,332	634,745
Liabilities	(340,671)	(308,935)
	<hr/>	<hr/>
Funds	243,661	325,810
	<hr/> <hr/>	<hr/> <hr/>

3. Donations and similar incoming resources

	Consolidated	
	2006 £	2005 £
Grants	16,907	10,494
	<hr/> <hr/>	<hr/> <hr/>

THE MORLEY AGRICULTURAL FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2006

4. Income from investments

	Consolidated	
	2006	2005
	£	£
Equities - quoted	221,857	138,928
Gilts and government securities	149,840	128,430
Bank deposits	10,676	3,936
Rents	39,090	107,473
Other interest	24,127	45,482
	<hr/>	<hr/>
	445,590	424,249
	<hr/> <hr/>	<hr/> <hr/>

5. Fundraising trading: farming costs

Cost of sales	152,158	57
Cost of employment	99,707	88,431
Property costs	28,658	10,330
Equipment and vehicles	108,583	119,061
Administration	(5,723)	13,301
	<hr/>	<hr/>
	383,383	231,180
	<hr/> <hr/>	<hr/> <hr/>

6. Investment management costs

Property maintenance	40,617	20,584
Investment management fees	47,065	54,118
Reorganisation costs	-	1,399
Exchange rate variances	(357)	(220)
	<hr/>	<hr/>
	87,325	75,881
	<hr/> <hr/>	<hr/> <hr/>

7. Charitable activities

Grants payable		
To support PhD research	19,012	18,922
Morley historical archive project	20,434	48,421
Arable research projects	250,000	250,000
Other grants	1,440	240
Administration	6,392	3,976
	<hr/>	<hr/>
	297,278	321,559
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THE MORLEY AGRICULTURAL FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2006

8. Governance costs

	Consolidated	
	2006	2005
	£	£
The Morley Agricultural Foundation administration costs	14,211	29,387
Morley Farms Limited administration costs	13,819	10,896
	<hr/>	<hr/>
	28,030	40,283
	<hr/>	<hr/>

9. Resources expended

Resources expended includes:

Depreciation of tangible fixed assets		
- owned	74,838	80,842
Profit on disposal of fixed assets	(283,763)	(25,400)
Auditors remuneration - Current year	5,241	4,850
- Prior year	(381)	5,444
Gain on foreign currency exchange	(357)	(220)
	<hr/>	<hr/>

10. Employees

The average number of persons employed during the period is analysed below:

Farm employees	3	3
	<hr/>	<hr/>
Staff costs		
Wages and salaries	83,891	83,891
Pension contributions	7,511	7,511
Social security costs	6,840	6,840
	<hr/>	<hr/>
	98,242	98,242
	<hr/>	<hr/>

No employee earned more than £60,000 in the year.

No remuneration or expenses were paid to any of the trustees.

THE MORLEY AGRICULTURAL FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2006

11. Tangible fixed assets - Company

	Investment property £	Total £
Valuation		
At 1 September 2005	3,846,862	3,846,862
Additions	17,984	17,984
	<hr/>	<hr/>
At 31 August 2006	3,864,846	3,864,846
	<hr/>	<hr/>
Depreciation		
At 1 September 2005 and 31 August 2006	-	-
	<hr/>	<hr/>
Net book value at 31 August 2006	3,864,846	3,864,846
	<hr/> <hr/>	<hr/> <hr/>
Net book value at 31 August 2005	3,846,862	3,846,862
	<hr/> <hr/>	<hr/> <hr/>

Tangible fixed assets - Consolidated	Investment property £	Motor vehicles & tractors £	Implements and machinery £	Computer equipment £	Total £
Cost or valuation					
At 1 September 2005	3,846,862	381,436	366,233	1,723	4,596,254
Additions	17,984	62,300	20,362	705	101,351
Disposals	-	(87,950)	(2,700)	-	(90,650)
Revaluation	-	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 2006	3,864,846	355,786	383,895	2,428	4,606,955
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Depreciation					
At 1 September 2005	-	236,802	304,451	1,148	542,401
Charge for the year	-	54,815	19,213	810	74,838
On disposals	-	(77,792)	(980)	-	(78,772)
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
At 31 August 2006	-	213,825	322,684	1,958	538,467
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
Net book value					
at 31 August 2006	3,864,846	141,961	61,211	470	4,068,488
	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>	<hr/> <hr/>
Net book value					
at 31 August 2005	3,846,862	144,634	61,782	575	4,053,853
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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 trustees are not aware of any material changes since the last valuation.

THE MORLEY AGRICULTURAL FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2006

12. Investments (quoted)	2006	2005
	£	£
Market value at 1 September 2005	8,154,613	7,087,260
Transfer from Morley Research Centre	-	-
Acquisitions at cost	16,127,966	3,636,901
Sale proceeds from disposal	(16,261,600)	(3,628,049)
Unrealised profit in the year	142,812	767,743
Realised profit in the year	493,265	290,758
	<hr/>	<hr/>
Market value at 31 August 2006	8,657,056	8,154,613
	<hr/> <hr/>	<hr/> <hr/>

Individual investments held at 31 August 2006 which are over 5% of the total portfolio by value are:

	Market value	
	2006	2005
	£	£
UK Treasury 5.75% 2009	-	1,011,595
UK Treasury 8% 2013	-	565,082
UK Gilts 5% 2025	-	1,144,711
J P Morgan UK Equity Fund for Charities	5,141,224	-
J P Morgan Bond Fund for Charities	2,678,059	-
J P Morgan Overseas Equities	837,773	-
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Investments at historical cost as at 31 August 2006 comprise:

	2006	2005
	£	£
Investment portfolio	8,514,244	6,972,184
	<hr/> <hr/>	<hr/> <hr/>

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

13. Investments (unquoted)	Company		Consolidated	
	2006	2005	2006	2005
	£	£	£	£
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
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THE MORLEY AGRICULTURAL FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2006

13. 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 - Arable farmer	Ordinary	100%	31 August

14. Stocks

	Company		Consolidated	
	2006	2005	2006	2005
	£	£	£	£
Raw materials and consumables	-	-	137,703	-
Growing crops	-	-	34,042	-
	-	-	171,745	-

15. Debtors

	Company		Consolidated	
	2006	2005	2006	2005
	£	£	£	£
Trade debtors	6,272	72,546	48,367	120,934
Other debtors	348,511	350,151	473,999	688,839
Prepayments	76	1,104	2,405	19,551
Deferred tax	-	-	29,047	12,708
Amount due from subsidiaries	282,326	109,406	-	-
	637,185	533,207	553,818	842,032

Other debtors include a loan to The Arable Group of £300,000. A balance of £250,000 is due to be repaid after one year (2005 - £300,000).

16. Creditors: amounts falling due within one year

	Company		Consolidated	
	2006	2005	2006	2005
	£	£	£	£
Bank loans and overdrafts	546	3,527	546	58,634
Trade creditors	4,721	4,864	53,880	77,971
Other creditors	545	545	4,458	55,981
Taxation and social security	-	-	250	-
Accruals	5,434	35,302	10,456	41,909
	11,246	44,238	69,590	234,495

THE MORLEY AGRICULTURAL FOUNDATION

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 AUGUST 2006

17. Reconciliation of movements in funds

Company	General fund £	Revaluation reserve £	Total £
Opening reserves	11,804,745	1,182,439	12,987,184
Surplus for the year	2,069,795	-	2,069,795
Surplus arising on revaluation of fixed asset investments	-	142,812	142,812
Transfer of realised gains on disposal of fixed asset investments	-	(1,182,439)	(1,182,439)
Closing reserves	13,874,540	142,812	14,017,352

Consolidated	General fund £	Revaluation reserve £	Total £
Opening reserves	11,743,169	1,182,439	12,925,608
Surplus for the year	1,987,646	-	1,987,646
Surplus arising on revaluation of fixed asset investments	-	142,812	142,812
Transfer of realised gains on disposal of fixed asset investments	-	(1,182,439)	(1,182,439)
Closing reserves	13,730,815	142,812	13,873,627

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.

18. Taxation

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

19. 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 were trustees of charities with which the Group has an association:

P E Richardson	The Arable Group
Mr R J Salmon	The Arable Group

Mr M J W Gamble was also a director of Easton Farms Ltd, with whom Morley Farms Ltd traded during the year.

20. 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 2006

21. 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 £887,356 (2005 - £289,899).