



Letchworth Garden City Heritage Foundation
Report and Accounts to 30th September 2006



Charitable Activities – objectives and achievements

The objects of the Foundation shall be to carry on for the benefit of the local community of Letchworth Garden City the industry, business or trade of:

Promoting the preservation of buildings and other environmental features of beauty or historic interest within Letchworth Garden City.

Providing or assisting in the provision of facilities for the recreation or other leisure activity of the local community in the interests of social welfare with the object of improving their conditions of life.

Promoting the advancement of education and learning within Letchworth Garden City.

Promoting the relief of poverty and sickness within Letchworth Garden City.

Supporting any charitable organisation having an office or branch in Letchworth Garden City.

Promoting any other charitable purposes for the benefit of the local community.

The Chairman's Statement

2006 proved to be another successful year for the Foundation. Despite continued challenges in the property market our income increased by 8.33%. This in turn, enabled us, once again to increase spending on charitable activities excluding support costs from £1.8 million in 2004-2005 to £2.3 million this year. As we move into our second decade as the Foundation, our charitable objects set out for us in 1995 remain at the forefront of everything we do. With £17.8 million so far invested back into the community we continue to strive to maximise income from the Estate in order that this figure can continue to grow in the future for the benefit of the community.

The Foundation's plans to revitalise the Town Centre have been the focus of much attention during 2006. Following an extensive public consultation we set out our findings at the Garden City Meeting in May and through subsequent advertising and publicity. Since then extensive work has been ongoing by our staff with planning applications scheduled to be submitted in 2007.

We believe that this revitalisation is essential not only to the ongoing appearance, wealth and prosperity of our Town Centre, but also to our ability to increase our charitable distributions. As consumers become ever more demanding, looking for a complete 'shopping experience' it is essential that we move forward or risk getting left behind, with local businesses and people bound to suffer. Our aim is to maintain the character of our Garden City, retain our excellent independent retailers whilst creating a thriving Town Centre, which will keep more of its citizens and visitors shopping and spending time in Letchworth Garden City.

We support many recreation and leisure activities through our charitable distributions and in 2006 the arts took their turn at centre stage. The Letchworth Arts Centre (LAC) formerly known as The Place, underwent major refurbishment to its premises at 2 The Arcade. Following the works the Centre has greatly improved access for people with disabilities, including a lift, new toilet facilities and a new ground floor foyer area. This work, combined with our part funding for an Arts Development Manager and our continued support with rental costs, reaffirms the Foundation's commitment to the arts. With the newly rejuvenated Centre due to open in February 2007 we look forward to a very artistic 2007 and beyond under the dynamic and inspirational leadership of Maria Iredale.

There have been a number of changes to the Governors during the course of the year. Guy Osborne, Jeremy Gillham and Peter Lang retired and we thank them for their services. Heather Edwards-Hedley, Ian Cotterill and Sarah Needham were appointed as General Governors and Colin Chatfield and Michael Durrant as Nominated Governors. Changes also occurred in the Board of Management with Guy Osborne retiring and Robert Williams appointed in his place.

On behalf of the Board of Management and Governors, I thank all the staff for their commitment and professionalism, which they bring to their work. The time ahead will prove challenging, I am confident that the experience and strong leadership of our Director General will ensure the Foundation continues to be successful next year and beyond.

Finally, I thank my Board colleagues, Governors and staff for the support, which they give me.

Alan Scouller

Chairman

13 February 2007

The Director General's Report

To be reporting such solid progress in terms of increased income and charitable distributions at a time when the Foundation is preparing for further major town centre regeneration is proof, if proof were needed, that the model proposed by Ebenezer Howard, over one hundred years ago, has proved to be successful.

Just as Howard envisaged, the Garden City Estate has continued to go from strength to strength. His guiding principle – that all surpluses generated from the Estate be reinvested in the town – has endured and enabled the Garden City to grow and prosper in ways which many other communities in this country, and beyond, can only envy.

As only the third organisation charged with the stewardship of the Garden City in 100 years, Letchworth Garden City Heritage Foundation is now poised to roll out the Garden City's most ambitious redevelopment programme to date.

Reaching this exciting threshold has not been without its challenges. The initial phase of town centre revitalisation in the mid to late 1990s, and developments elsewhere in the Estate have demanded substantial investment. But deployed wisely, that has, itself, achieved both regeneration and the revenue growth which has fuelled our record charitable distributions.

The Foundation now looks to submit planning applications in respect of these latest Town Centre investments – The Arena and Wynd developments, together with major environmental and street scene improvements - during 2007

Delivering these latest substantial changes to the heart of the Garden City will not be easy. However, we will do all in our power to mitigate the effects on businesses, residents and visitors to the Town centre. We will ensure that change is delivered as quickly as possible.

Whilst the Town Centre will remain our most important priority in the immediate future, the Foundation has other targets within its sights. Importantly, this includes the review of our 'Design Guidance' - a document which sets out the principles for good design and practice to residents contemplating changes to the external appearance of their Garden City homes. As well as ensuring that the unique Garden City residential environment is protected, we are intent on looking to the future, having launched an International Housing Design competition – 'Tomorrow's Garden City' – to create ground breaking, environmentally friendly, energy efficient housing for sale or rent to local people at affordable prices.

Success with these and other initiatives planned by the Foundation, will play an incremental role in helping to create, maintain and promote a vibrant, quality 'environment' for all those who live in, work in or visit the world's first Garden City.

The Foundation remains inspired by the pioneering zeal of Ebenezer Howard and his supporters and will continue to manage change for the better as the community faces the challenges of the 21st Century without prejudicing the fundamental structure, physical and social, of the world's first Garden City.

Stuart Kenny

Director General
13 February 2007

Introduction

In 1995, the Letchworth Garden City Heritage Foundation Act transferred the assets, role and responsibilities of the former Letchworth Garden City Corporation, a public sector body, to Letchworth Garden City Heritage Foundation, an Industrial and Provident Society with charitable objects, registered number 28211R.

Central to the Act was the vesting of the 5,500-acre property Estate in Letchworth, the world's first Garden City, comprising offices, factories, shops, houses, farms, leisure amenities and land.

The Foundation generates income from the Estate in order to fund six charitable objects and fund further reinvestment in the Estate. Its mission, to create, maintain and promote a vibrant, quality 'environment' in the Garden City for all those who live in, work in and visit the world's first Garden City.

This document sets out the Foundation's financial review, achievements and performance during the year ended 30 September 2006 together with details of its structure, governance, management, objectives and activities.

Objectives and activities

As set out in the 1995 Act and its governing document, the 'Rules of Letchworth Garden City Heritage Foundation', the Foundation's charitable objects are:

Promoting the preservation of buildings and other environmental features of beauty or historic interest within Letchworth Garden City.

Providing or assisting in the provision of facilities for the recreation or other leisure activity of the local community in the interests of social welfare with the object of improving their conditions of life.

Promoting the advancement of education and learning within Letchworth Garden City.

Promoting the relief of poverty and sickness within Letchworth Garden City.

Supporting any charitable organisation having an office or branch in Letchworth Garden City.

Promoting any other charitable purposes for the benefit of the local community.

Mission

To create, maintain and promote a vibrant, quality 'environment' in the Garden City, for all those who live in, work in and visit the world's first Garden City.

To support the charitable objects of the Foundation through optimising the financial returns from the assets held, to the extent it is compatible with the charitable objects, and re-investing those returns to:

- Support charitable activities, which meet demonstrable needs and provide a proven benefit to the community; and
- Improve an increasingly valuable asset base.

Vision

To ensure that the Foundation's success in managing the Estate leads directly to an improved 'quality of life' for the community in Letchworth Garden City.

To be a pioneer, encouraging innovation, experimentation and sustainability particularly with regard to the environment, energy and housing.

To secure recognition, nationally and internationally, for the success of the Garden City 'experiment' as a leading model for developing 21st Century communities.

Current Objectives

- Implement phase two of the Foundation's Town Centre revitalisation strategy
- Regenerate the industrial heartland of the town to attract new business
- Help to create high quality housing
- Safeguard the built environment
- Protect the green environment
- Further extend charitable distributions

The preservation of buildings and other environmental features of beauty or historic interest

The Foundation works closely with residents, businesses, local authorities and charities to retain the essential 'look and feel' of the world's first Garden City with its signature green open spaces, tree-lined streets and maintained parks and gardens.

It has powers under a 'Scheme of Management' and Leasehold Covenants that require most property owners to secure consent from the Foundation before altering the external appearance of their Garden City properties. The Foundation publishes guidance and provides Architectural Heritage Grants to assist owners contemplating such changes.

Copies of the 'Scheme of Management' and the 'Design Guidance' are available on the Foundation's website at www.lgchf.com.

The Garden City Greenway, a 13.6-mile circular walkway 'where town and country meet', offers excellent opportunities for people of all ages to enjoy the open air on foot, on a bike or, in parts, on horseback. The Greenway was the Foundation's major contribution to the Garden City's Centenary celebrations.

The Foundation maintains the external fabric of The Settlement, formerly known as the Skittles Inn.

Provision of recreation and leisure for the benefit of the local community

Recreation and leisure is an essential ingredient of a healthy lifestyle. The Foundation operates a number of enterprises, which add to the social mix of the local community.

Plinston Hall and the Spirella Ballroom offer local people the opportunity to enjoy a wide range of live entertainment from music to theatre to dance and much more. Plinston also acts as a meeting place and home for many of the Garden City's clubs and societies.

Standalone Farm is a recreational and educational farm, operated by Letchworth Garden City Farms Limited. Opened in 1980, it continues to be one of Hertfordshire's most popular attractions with thousands of families visiting each year.

Letchworth Garden City Services Limited, a subsidiary of the Foundation, holds a 90% shareholding in Broadway Cinema Limited. Located in the heart of the Town Centre, Broadway Cinema offers local people the opportunity to enjoy the latest blockbusters, in Art Deco surroundings, without having to venture out of town.

The Tourist Information Centre ties all the Foundation's recreation and leisure activities together. Offering information to residents and visitors on how to make the most of the world's first Garden City, the Tourist Information Centre is a well used and appreciated resource. It also holds information on other locations and attractions across the UK, assisting local people in planning their holidays.

Advancement of Education and Learning

The Foundation supports programmes to raise educational standards across Letchworth Garden City. Through the work of a Foundation funded Education Development Manager, relationships have been built up with all Letchworth Garden City schools and the Education Authority. This allows the Foundation to support the curriculum, develop and progress education, over and above the standard provision offered by the State, through substantial grants targeted to deliver projects across the town.

Support for local students does not end when they leave school. In conjunction with the Letchworth Garden City Civic Trust (registered charity number 273336) financial support is also offered to students in Further and Higher Education. The process of awarding these education grants is managed by the Civic Trust which receives a Foundation grant each year, which it then distributes in accordance with its own criteria.

The Foundation's commitment to education and learning is further reinforced by the First Garden City Heritage Museum. As the world's leading archive on Letchworth Garden City and the early Garden City movement, the Museum provides a unique resource for local people, academics and visitors from further afield to discover the history of the town.

The Museum holds a substantial range of photographs, maps, drawings and plans as well as memorabilia. It deals with many incoming enquiries about the Garden City. In addition to the permanent exhibits, the Museum also runs a programme of supporting exhibitions focusing on the social history of the Garden City.

To further share the knowledge held by the Museum and its staff, a selection of talks and presentations are available to community groups, locally and beyond.

Relief of Poverty and Sickness

The health and wellbeing of Letchworth Garden City residents is always foremost in the Foundation's activities. The Foundation funds and manages the Ernest Gardiner Day Hospital the only one of its kind in the UK. Free to patients, the hospital provides a high level of specialised healthcare to patients who live in or are referred by their GP in Letchworth Garden City or Baldock. It does not receive funding from the National Health Service.

The Day Hospital is supported by the League of Friends, an independent charity (Registered No. 289018), which raises funds to purchase all equipment used in and by the Day Hospital. In recent years the dedication and hard work of the League has enabled the Day Hospital to have a new, custom built ambulance.

Also under the object of relief of poverty and sickness, the Foundation runs a Shopmobility scheme. The scheme loans motorised scooters or manual wheelchairs to anyone that needs help getting around the Town Centre. Operated by the Tourist Information Centre, the service is free.

Supporting Charitable Organisations in Letchworth Garden City

The Foundation is keen to support other charitable organisations operating in Letchworth Garden City, especially those, which mirror its charitable objects.

Year on year, the Foundation supports a number of organisations based in Letchworth Garden City through annual revenue grants. Organisations such as the Citizens Advice Bureau, St John Ambulance and the North Hertfordshire Council for Voluntary Service (Furniture Link) receive funding every year with many other organisations also gaining grants on an ad-hoc basis.

By supporting other Letchworth Garden City based charities, the Foundation is able to provide further benefits to local people in ways not specifically outlined by the other objects. In addition to this support, the Foundation lends its backing to major initiatives.

Promotion of other Charitable Purposes for the Benefit of the Local Community

The Foundation operates a Minibus service under this object. The service provides free transport for elderly or disabled Letchworth Garden City residents allowing them to attend clubs or functions within the Garden City. The service is used regularly by over 40 local clubs and societies.

Income Generating Activities and Operations

In order to maximise the income available to fund the six charitable objects, the Foundation pursues a number of income generating activities. In the main, these activities are operated by the Foundation itself, however, several activities are operated by subsidiary companies which 'gift aid' their surpluses back to the Foundation.

These activities are outlined below:

Property

The Foundation's primary source of income is through its 5,500-acre property Estate. This includes offices, factories, shops, houses, farms and leisure amenities. By maximising the financial returns generated from the Estate, the Foundation can continue to pursue its charitable objects as well as increase the value of its asset base.

Encouraging development and investment in Letchworth Garden City, the Foundation's long-term target is the progression and establishment of the town as an attractive place in which to live, work and invest.

To sustain and push forward the interests of Letchworth Garden City, the Foundation's property team initiate development or refurbishment of vacant and redundant sites to meet the needs of business and the local community. This also involves identifying new land and buildings to boost the current property portfolio.

Garden City Technologies Limited

GCT is a wholly owned subsidiary of Letchworth Garden City Heritage Foundation (Registered Company, No. 03530307). It provides tailored, integrated IT, telephony and support services to Foundation tenants and beyond.

Letchworth Garden City Farms Limited

The Farm is a wholly owned subsidiary of the Foundation, (Registered Company No. 3082251). The Company farms 2,500 acres of arable land within Letchworth Garden City, rears cattle and manages landscaping, forestry, stabling and grazing operations.

Letchworth Garden City Farms Limited also operates Standalone Farm, a recreational and educational farm attraction, providing any subsidy required to meet the difference between admission income and operating costs. Standalone attracts over 100,000 visitors each year.

Letchworth Garden City Services Limited

Letchworth Garden City Services Ltd is a wholly owned subsidiary of the Foundation (Registered Company No. 3090647). The company continues to hold the Foundation's 90% investment in Broadway Cinema Limited.

Broadway Cinema Limited

Broadway Cinema Limited (Registered No. 3100031) is a 90% owned subsidiary of the Letchworth Garden City Services Limited. The remaining 10% is owned by Letchworth Palace Limited (company number 00200028). The company operates a three screen cinema in Letchworth Town Centre.

Letchworth Cottages and Buildings Limited (LCB)

A wholly owned subsidiary of the Foundation, Letchworth Cottages and Buildings Limited is also a charitable Industrial and Provident society in its own right, registered number 18705R. Its role is to manage the Foundation's interests in the Garden City's social housing market. LCB also has the power to award grants.

Grant Making Policies

The Board of Management determines all Letchworth Garden City Heritage Foundation grant applications over £2,000. The Community Grants Committee determines applications for grants up to this level. The Committee, which operates as a sub-committee of the Board of Management under Rule 48, consists of five Governors, one of whom is a Board Member who chairs the Committee. The Foundation's policy on grants is determined by the Board of Management and is reviewed on a regular basis.

Structure, Governance and Management

The Rules of the Heritage Foundation provide for up to 30 Governors. Six Governors are elected directly through a poll of registered electors in the SG6 postcode area under Rule 11. These elections take place every five years. Those six candidates polling the highest number of votes are appointed to serve for a five-year term. The next elections will be held in 2010.

Letchworth Garden City Clubs and Societies registered with the Foundation, in one of eight categories specified in Rule 10 (b), determine a further eight Governor places. In addition, two Governor places are permanently reserved respectively for North Hertfordshire District Council and Hertfordshire County Council, who in turn nominate a representative or deputy to act on their behalf. These deputies take the role of Nominated Governors. One fifth of the Nominated Governors are required to retire by rotation each year under Rule 13 (h)

The remaining 14 Governor places are appointed by the Foundation's Board of Management with one fifth of their number also retiring by rotation each year under Rule 13 (h).

All Governors have equal status regardless of which of the three routes they take to become Governors of the Foundation. All are volunteers and do not get paid.

The role of Governors is many and varied. They play a vital role in bringing the views of the town into the Foundation. They promote the role and activities of the Foundation in their own communities.

They represent the Foundation on internal Committees and working groups and also on external bodies and organisations. They are among the first to be consulted on issues of the day and on future initiatives.

To prepare Governors for their role, each new Governor takes part in an induction programme outlining the activities of the Foundation and their personal responsibilities as a Governor. In addition there is also a rolling programme of training activities for existing Governors, activities include: tours of all Foundation enterprises and subsidiaries, themed workshops and dedicated discussions on key topics.

There are four meetings of Governors a year, two formal general meetings, the Foundation's Annual General Meeting held in March and a General Meeting held each September to consider its Annual Business Plan for the year ahead.

Governors also attend the Garden City Meeting. This is a public forum open to anyone who lives or works in the Garden City to come along and ask a question. There are two informal meetings, held in June and December to consult Governors on policy matters and the issues of the day. The outputs of these meetings, often provide valuable feedback to the Board of Management, assisting them in their deliberations and discussions. Under the rules of the Foundation the Board of Management is the decision making body and Governors appointed to serve on the Board are the Trustees of the Foundation.

On appointment all new Board Members are invited to attend an induction programme. This is supplemented by regular briefings by the Executive on aspects of the Foundation's role and responsibilities. By way of reference Board Members are also given a copy of the ICSA publication on the role of charity Trustees and receive copies of 'Governance' magazine on a regular basis.

The Governors appoint six of the eight members of the Board of Management from their own number. In addition to the six ordinary members of the Board of Management, two places are permanently reserved for the deputies of North Hertfordshire District Council and Hertfordshire County Council. The Board of Management elect the Chairman of the Foundation from their own number at their first meeting after the Annual General Meeting.

The Board of Management meets monthly (with the exception of August) to establish policy and to direct and conduct the administration of the Foundation through its four Executive Directors.

The powers of the Board of Management are clearly laid out in the Foundation's governing document, 'The Rules of Letchworth Garden City Heritage Foundation'. At a strategic level the board considers and approves policy matters, which enable the Foundation to expedite its mission, vision and objectives.

Reports and policies are prepared by Executive Directors. These will often take in the comments and input received from Governors and retained professional, expert advisers. The Board approves the Foundation Annual Business Plan and budget.

There is an Audit Committee to which the Internal Auditor reports. The Audit Committee meets every two to three months to assess the effectiveness of internal and external audit. The Internal Auditor works to a rolling audit programme approved by the Committee annually but reviewed and updated as necessary at each Audit Committee meeting.

The Audit programme ensures that all elements of the Heritage Foundation's internal controls are subject to audit over an acceptable period. The programme also recognises the need to revisit, within six months, any area of the business where the audit report has been graded 'unsatisfactory'. The Internal Auditor also undertakes regular supplementary audits of key business areas, recognising the high-risk areas within the Foundation's various activities. The Internal Auditor presents an annual report to the Board of Management. On a day-to-day basis, the Internal Auditor reports direct to the Director General.

In accordance with the Letchworth Garden City Heritage Foundation Act 1995, a Letchworth Commissioner is appointed by the President of the Law Society for the purpose of conducting independent investigations into complaints of alleged maladministration. In his 2005-2006 report, Michael Mathews revealed that he had not received any further complaints, albeit the complaint investigated in the last financial year had been concluded successfully.

Risk Management

The Heritage Foundation undertakes comprehensive risk analysis. This covers discrete but inter-related areas such as governance, financial reporting, cash, IT, property, health and safety, environmental, human resources and reputation.

The analysis takes the form of an annual review at Board level of all aspects of the charity, identifying the risks facing the Foundation and its trading subsidiaries. Executive Directors review this analysis on a quarterly basis ensuring that there are effective processes and controls in place.

The review process involves four distinct stages:

- Reviewing all activities, which have a significant financial impact directly or indirectly.
- Identifying, documenting and assessing the significant risks and the processes and controls responding to these.
- Determining an action plan for any areas where there is a perceived lack of control or apparent process.
- The Board of Management receiving a report from Directors on the above, reviewing and endorsing action plans as necessary. Management then review and update the documentation on a quarterly basis. Based on the above procedures, the Board of Management have identified and evaluated the major risks to which the Foundation is exposed and processes have been established to manage these risks.

Trustees, Officers and Professional Advisers

Board of Management

J A Scouller (re-appointed 23 March 2006)
W G Armitage
K F Emsall *
Mrs L Kercher
Mrs L A Needham **
G R L Osborne (retired 30 September 2006)
P Palmer (re-appointed 23 March 2006)
C D Wells (re-appointed 23 March 2006)
R Williams (appointed 31 October 2006)
 * Deputy for Hertfordshire County Council
 ** Deputy for North Hertfordshire District Council

At the eleventh AGM, to be held on 21 March 2007, William Armitage and Alan Scouller retire by rotation together with Bob Williams who retires under rule 38d. All three, being eligible, are standing for re-election to the Board of Management.

Governors

J A Scouller (Chairman)
W G Armitage
T Brazier
C Chatfield (elected 1 Oct 2006)
I Cotterill (appointed 1 October 2006)
M Durrant (elected 11 July 2006)
Mrs H Edwards-Hedley
 (appointed 14 March 2006)
K F Emsall *
Dr R Fox
G Fraser-Williams
J Gillham (retired 30 September 2006)
W J Hall
D Johal
Mrs L Kercher
P B Lang (retired 30 September 2006)
P Lennie
A Maynard-Smith
S Muncey
Mrs L A Needham **
Mrs S Needham (appointed 1 October 2006)
G R L Osborne (retired 30 September 2006)
P Palmer
Miss D Poynter
Mrs M Protani
B R Sawford
D Shirley
A R Stone
Dr K M Thompson
Mrs S Turner
S P Vilas
D Walker
C D Wells
R Williams (re-appointed 1 Oct 2006)

Directors

S M Kenny, Director General
Mrs M Hands, Director of Property
A S Howard, Director of Marketing and PR
I Webb, Director of Finance

Company Secretary

Chaplin Frobisher Welling
 Icknield House
 Eastcheap
 LETCHWORTH GARDEN CITY
 Hertfordshire
 SG6 3YY

Auditors

Ernst & Young LLP
 400 Capability Green
 LUTON
 Bedfordshire
 LU1 3LU

Bankers

HSBC Bank plc
 Station Place
 LETCHWORTH GARDEN CITY
 Hertfordshire
 SG6 3AJ

Solicitors

Brignalls Balderston Warren
 Broadway Chambers
 LETCHWORTH GARDEN CITY
 Hertfordshire
 SG6 3AD

Mills & Reeves

Francis House
 112 Hills Road
 CAMBRIDGE
 CB2 1PH

Trowers & Hamlins

Sceptre Court
 40 Tower Hill
 LONDON
 EC3N 4DX

Registered Office

Suite 401
 The Spirella Building
 LETCHWORTH GARDEN CITY
 Hertfordshire
 SG6 4ET

Achievements and Performance

In respect of the Foundation's overall ambitions for charitable activities and undertakings, the targeted increase in distributions from £2.4 million to £3.0 million was surpassed by £300,000. This included a commitment in last year's Business Plan to enlarge the community information spend from £51,000 to £81,000. Furthermore, grants committed within the year to Letchworth Garden City organisations and good causes, increased from £445,000 to £743,000.

The first steps towards the refocusing of the Museum service was secured through the creation of a comprehensive Business Plan to relocate the service to the Letchworth Garden City Town Hall, a landmark building within the wider Arena redevelopment area.

Heritage and Environment

The Foundation is constantly striving to preserve the heritage and environment of Letchworth Garden City. By maintaining the architectural integrity and natural beauty of the Garden City, current and future generations can benefit from the unique environment offered by the world's first Garden City.

During 2006, the Foundation received 2210 applications from residents wishing to alter the external appearance of their properties. This process allows residents to update their homes in accordance with the design guidance, preserving the look and character of the Garden City. The massive increase, from 933 applications in the previous year, was due to a large number of informal applications being received as a result of the Foundation's 'Windows Moratorium'. This raised awareness for the need of consent, generally, for other minor works, not only replacement windows. Only 1% of applications received an outright refusal.

Heritage Grants are available to residents when contemplating works to their properties. During the past year £98,000 was awarded in Heritage Grants.

The 'Windows Moratorium' was a key activity during 2005-06. The appearance of windows is fundamental to the street scene and, as such, it is imperative that styles are in keeping with the original fittings and in line with the character of the Garden City.

In recent years, many property owners in Letchworth Garden City have replaced their windows without consent from the Foundation, resulting in many windows not being in the appropriate style. This has resulted in legal problems for some homeowners when they sell their property. With this in mind, the 'Windows Moratorium' provided an amnesty to Letchworth Garden City property owners, allowing them to register non-compliant windows, with the proviso that, when the windows are replaced in the future, windows which match the originals are fitted.

The Foundation also offered an increased grant level of 50% of the costs (up to £6,000 for wooden windows and £4,000 for PVCu windows) of replacement windows for anybody with a Moratorium Notice, issued prior to 1 October 2005, replacing their windows within three years.

The project was a success, with over 500 applications received and 200 Moratorium Notices issued. The remainder were issued with retrospective consent or 'no material change' notices.

In addition to direct operations, the Foundation's preservation object was further pursued through the Foundation's Community grants. One such grant was awarded in 2006 to the 1905 Exhibition Cottages Group, a collective of 116 owners of original 1905 'Cheap Cottage' properties who expressed interest in creating an 'Exhibition Cottage' trail by displaying plaques on their properties. A grant of £4,224 was made covering the cost of the plaques.

Recreation and Leisure

The Foundation consistently receives more grant applications for 'recreation and leisure' projects than any other of its six objectives.

Maintaining the balance between sport and other recreation activities, substantial support has been shown to the arts. Letchworth Arts Centre (LAC), formerly known as The Place, was given a new lease of life this year through the joint funding of an Arts Development Manager with North Hertfordshire District Council (NHDC). Dedicated to transforming the LAC into a thriving community resource, the Arts Development Manager is tasked with seeking funding from other sources to ensure continued success and growth.

LAC has also benefited from major refurbishment works at its premises at 2 The Arcade. Fully funded by the Foundation, works have seen the installation of a new lift and construction of a new ground floor foyer area, which now enables access for wheelchairs and pushchairs.

Lastly, the Foundation agreed in principle to provide a grant covering 100% of the centre's accommodation costs until September 2009. LAC offers a wide range of arts related activities for the local community.

Other key awards this year include £9,750 for St Paul's Church Hall and £29,480 for Letchworth Garden City Eagles Youth Football Club.

St Paul's Church Hall received a grant towards kitchen refurbishment costs. The Church Hall is used by a number of different clubs including Pix Preschool Playgroup, Mum's Plus (a mother and toddler group), Scouts, Cubs, Beavers, Brownies, Tai Chi, Weight Watchers and Keep Fit. The newly refurbished kitchens will particularly benefit the Luncheon Club, which has been in operation for over 17 years. They provide a meal in a social atmosphere for forty elderly people once a week. The majority of members are over eighty, partially disabled and many are housebound. The new kitchen now meets all health and safety requirements and will enable the hall to host more functions.

Letchworth Garden City Eagles Youth Football Club is the Garden City's major youth football organisation with over 400 players under the age of 18 and some 36 teams, most of which compete in the Royston Crow Youth Leagues. The Club was awarded a further grant towards their changing room project. Now open, the new changing rooms provide showers, toilets, changing facilities for referees and a small kitchen and club room. Part of the driving force of this project is to increase participation in girls' football and to offer the use of these facilities to the wider community in the summer months.

Education and Learning

The Foundation supports educational programmes in Letchworth Garden City schools with the continuing goal of raising educational standards and the quality of facilities over and above the provision offered by the State.

To ensure that close relationships with local schools are maintained and that programmes are constant, the Foundation funds an Education Development Manager post. As a dedicated resource, the Education Development Manager seeks to ensure that the Foundation's grant funding for collaborative projects across Garden City schools benefits local children, students, teachers and parents.

Both Fearnhill and The Highfield Schools benefited from a Wireless Technology Project grant, Fearnhill receiving £6,000 and Highfield £11,645. Both schools have made considerable investment in recent years, sharing a commitment to deliver a projector in every classroom, personal laptops for every teacher and increased provision of PC's and laptops for students. The aim of the Wireless Technology Project is to give staff and students access to Information, Communication and Technology (ICT) resources from anywhere in the school. By increasing digital projectors, coupled with wireless networking, the quality of teaching and learning has increased. It has given teachers a wider range of tools with which to engage with pupils at all levels.

A grant of £19,200 was awarded towards the costs of ICT support for 14 Letchworth Garden City Primary Schools. Each Primary school was able to employ an ICT technician for two hours per week over 40 weeks. The ICT support included installation and maintenance of hardware and software, networks, back-ups and virus checks. The project resulted in a number of benefits, not least, teachers are no longer spending time supporting the system.

An educational 'Art Start' project was awarded £27,000, involving 13 LGC Primary Schools. This innovative programme of activities centred on the beginning of the day and focused on improving and developing pupils' levels of concentration, ability to follow instructions and thinking skills through a series of exercises lasting no more than 15 minutes. The activities encompassed visual arts, music, dance and drama and media.

The Foundation's help extends beyond school, with students entering university also eligible for additional grants. This grant scheme is administered by the Letchworth Civic Trust who receive a £10,000 award from the Foundation each year for this purpose.

The First Garden City Heritage Museum also operates under the Education and Learning object, its achievements and performance will be discussed in more detail in the next section.

Relief of Poverty and Sickness

Year on year the Ernest Gardiner Day Hospital plays a leading role in relieving poverty and sickness in the Garden City. However, in addition, grants are made to third party clubs and organisations. One recipient of funding during 2005-06 was Home-Start.

Started in 1973, Home-Start North Hertfordshire is part of a national voluntary organisation which supports parents facing a range of difficulties including loneliness, isolation, post-natal illness, domestic violence, poverty, inadequate housing, disability and family breakdown. Home-Start was awarded a £6,000 grant to assist its work supporting LGC families in crisis.

Please see the following section for details of Ernest Gardiner Day Hospital's performance.

Supporting Charitable Organisations in Letchworth Garden City

Object 2 (v) enables the Foundation to support other notable causes in Letchworth Garden City that are not specifically addressed by the first four core objects. Under this object the Foundation supports: St John Ambulance, FurnitureLink (North Herts Council for Voluntary Services), Multiple Sclerosis Trust.

In 2005-06 North Hertfordshire Citizens Advice Bureau, received a grant of £14,504 towards a new phone and client server system.

This new system has enabled the Bureau to improve its operation, enabling a faster, more effective service.

Enterprises and Core Business Activities

Achievements against objectives 2005-06

Core Activities

Property

Plans to regenerate the Town Centre have been a priority for the property department during the past year. The Foundation's proposals aim to greatly improve the shopping environment, making Letchworth Garden City Town Centre a more appealing prospect for shoppers and retailers.

The proposals include the redevelopment of Arena Parade, The Wynd and Street Scene works. The redevelopment of Arena Parade will create opportunities to further improve Letchworth Garden City's retail and leisure mix and thereby help to bring more people into the heart of the town. The new complex will feature small and large retail units suitable for independent retailers and national chains. This mix complements the Foundation's goals to support local retailers while at the same time attracting larger chains and enhancing the shopping and leisure experience.

The Arena Parade development will also feature restaurant facilities, with the old Town Hall a proposed site for a new internationally recognised Garden City attraction, combining the Tourist Information Centre and First Garden City Heritage Museum.

The changes to The Wynd will be focused primarily on creating high quality small units for specialist and independent retailers. Car parking will also be dramatically improved.

The street scene works will create a pleasant street environment with high quality furniture, lighting and easy access parking.

These plans were announced late in 2005 alongside a major public consultation employing advertising, leaflets, brochures, web and presentations to many Letchworth Garden City clubs and societies. Residents living or working in Letchworth Garden City were encouraged to submit their views to the Foundation. Extensive feasibility studies followed and the project continues to move forward with planning applications due to be submitted in 2007.

Beyond the Town Centre, the property team performed well during 2005-06 achieving or exceeding all targets. Across all types of property a total rental income of £7.3 million was secured, £100,000 in excess of the target set.

While the office lettings market remains challenging, the Foundation has again performed against the trend, with key properties The Spirella Building and The Nexus Building having a combined let or 'under offer' figure of 94% at the end of the fiscal year. This high performance has seen the percentage of void properties overall, drop from 13.25% in 2004-05 to 5.57% in 2005-06.

In terms of capital receipts generated by the sale of land or property, an income of £2.8 million was achieved, exactly in line with the targets set out for the year.

Enterprises

Plinston

Plinston and the Spirella Ballroom operate under object 2 (ii) the provision of recreation and leisure facilities. The principle objective for Plinston during 2005-06 was to be available for a wide range of activities benefiting the community, on not less than 360 days per year. This objective was achieved, with Plinston available for 361 days. However major refurbishment works meant the main hall was only available for 345 days. These refurbishment works are the latest stage in an ongoing programme of improvements.

Throughout the year Plinston hosted a range of excellent events for the community including a School Science Fair, many live concerts, exhibitions and lectures.

During the year, hire rates were restructured to provide a more cost effective offer for local voluntary organisations.

First Garden City Heritage Museum

Operated under the Foundation's object 2 (iii) the advancement of education and learning, the Museum had a successful year. Tasked with researching and running three temporary exhibitions and associated events, the Museum in fact, delivered six exhibitions with eight associated events. As a result, year on year attendance has increased from 4,662 to 5,400.

Work also progressed in relation to the Foundation's desire to move the Museum to the Town Hall building in the centre of Letchworth Garden City. The Foundation has expressed an interest in purchasing the Town Hall from North Hertfordshire District Council as a key element of its Town Centre revitalisation strategy. The Museum developed a full Business Plan for its proposed location with the aim of creating an internationally recognised Garden City attraction.

Museum staff exceeded their objectives in terms of community talks and lectures, with 59 talks undertaken, 9 above the target.

Ernest Gardiner Day Hospital

Two key targets from 2005-06 for the Ernest Gardiner Day Hospital were to care for an average of 18 patients per day and to maintain patient satisfaction rates. Final figures for the year indicate an average of 16 patients per day. The shortfall has been attributed to changes in the way GPs refer patients. A target of 18 patients per day has again been set for 2006-07.

Satisfaction scores based on patient questionnaires rate the hospital performance as very high with a score of 100%.

Tourist Information Centre

The Letchworth Garden City Tourist Information Centre (TIC) is a fully fledged networked information centre, open six days a week. It operates the Shopmobility service, a scheme run by the Foundation under object 2 (iv).

2005-06 has been a successful year for the TIC, with its excellent service recognised by the East of England Tourist Board. The Centre achieved a 94% satisfaction rating in a 'mystery shopper' audit carried out by the Tourist Board. At the time of the survey, this was the highest score awarded since the Tourist Board began carrying out surveys in 2003.

The Shopmobility scheme also performed well during the year, with the number of registered users of the scheme rising from 261 to 320. A leaflet was produced and delivered to Letchworth Garden City homes aiming to further raise awareness of this free service.

Looking Ahead

Town Centre revitalisation will be central to the Foundation's activities. The regeneration works will revive the Town Centre, providing greatly improved facilities for the local community, whilst at the same time generating additional rental income. This in turn will enable the Foundation to further pursue its charitable objects.

2006-07 Objectives

1. To submit planning applications in respect of Letchworth Garden City Town Centre.

Following the significant progress made during 2006, plans for the Town Centre continue to move forward. 2007 will see formal planning applications submitted for Arena Parade, the Wynd and Street Scene works.

2. To implement environmental and Street Scene improvements in Letchworth Garden City Town Centre.

Following the submission and approval of planning applications in 2007, it is hoped works can begin on the Street Scene improvements during 2008.

3. To complete the sale of the Skillcentre and Power station sites.

In partnership with the respective lease holders, the Foundation looks to secure further regeneration of Letchworth's industrial heartlands through the disposal of these major sites. These sales will generate significant capital receipts which will help to fund the Foundation's Town Centre revitalisation strategy and, hence, future charitable distributions.

4. To launch a major international competition to create an innovative affordable housing scheme within Letchworth Garden City.

This competition, organised in association with North Hertfordshire Homes, will deliver innovative housing proposals for Letchworth Garden City.

5. To undertake public consultation on the proposed changes to the 'Design Guidance'.

The Foundation's 'Design Guidance' assists homeowners in planning changes to their properties. As materials and building practices change over the years it is necessary to review the Design Guidance at regular intervals.

The Foundation has reviewed the current Guidance and is drawing up proposed changes. Public consultation will be key to ensuring that these changes are acceptable to residents.

6. To sustain funding through the Foundation's charitable objects.

Continued success in increasing revenues, coupled with prudent capital investment, provide the resources needed to fund an ambitious programme of charitable distributions.

Report of the Board Of Management

For the year ended 30 September 2006

Review of activities

The Group results for the fiscal year continued the trend of recent years in reporting a very strong financial position for the Foundation and its subsidiary companies. Total Incoming Resources increased year on year by 8.33%, whilst Total Resources Expended increased by only 0.5%. Subsidiary companies, with the exception of Broadway Cinema Ltd and Letchworth Cottages and Buildings Ltd, generated profits before 'gift aid' culminating in £147,000 being 'gift aided' to the Foundation.

The 2006 consolidated statutory accounts have been prepared in accordance with the revised Statement of Recommended Practice (SORP 2005). To accommodate this change, and to allow prior year comparison, the 2005 results have been restated. The primary changes from the SORP 2000 financial statement format are contained within the SOFA and associated notes, where a new "Governance line" has been included together with "Support costs" being removed as a separate line item and allocated across the remaining cost categories. Further explanation of these changes are contained within the notes to the accounts.

The Foundation's expenditure in respect of its Charitable Objects, including grants, increased from £2,377,000 in 2005 to £2,952,000 in 2006. Grants payable increased substantially from £426,000 in 2005 to £697,000 in 2006.

During the year, the Foundation repaid the outstanding balance of the HSBC bank loan, totalling £7,000,000.

Incoming resources

Total Incoming Resources, reflecting the Heritage Foundation's combined income from its six legal entities and eighteen individual businesses, broke the £10,000,000 barrier for the first time in the Foundation's history with a total of £10,737,000, increased from £9,912,000 in 2005.

Property Income increased to £7,279,000 in 2006 from £6,951,000 in 2005. This growth was achieved through dramatically lower Property voids, together with income gained through the completed negotiations in respect of outstanding rent reviews and lease renewals.

Business Services and Retail Sales Income remained constant during 2006 at £598,000 compared to £593,000 in 2005.

Farm Income overall increased slightly to £713,000 in 2006, from £688,000 in 2005. This was, in the main, due to the performance during the year of the Forestry business, in respect of a specific one-off external contract.

Educational Farm Income decreased to £281,000 in 2006 from £308,000 in 2005, the primary reason being a reduction in Woodland Grant received during the year.

Cinema Income increased to £651,000 in 2006 from £610,000 in 2005, with increases generally across all income categories.

Investment Income and Interest. Increased to £1,051,000 in 2006 (exceeding the Bank interest target set for the year by £41,000) from £517,000 in 2005, as a result of the additional net cash funds originating from Capital Receipts. £10,000,000 was invested in the UBS "Active Bond" to gain interest income, with the added potential for longer term capital growth. £54,000 notional interest originates from the FRS17, pension actuarial calculation carried out at the fiscal year end by an independent Actuary.

Other Incoming Charitable Resources decreased from £245,000 in 2005, to £164,000 in 2006. The 2005 result benefited from the Ernest Gardiner Day Hospital's receipt of £70,000 from donations, primarily to purchase a new Ambulance.

Resources Expended

Total resources expended reflect the Heritage Foundation's combined expenditure from its six legal entities and eighteen individual businesses. Overall, reported costs increased from £9,960,000 in 2005 to £10,008,000 in 2006, an increase of 0.5%.

As a result of the adoption of SORP 2005, Support Costs have been identified and allocated across all of the cost categories. The 2005 results have been restated to reflect this change. Support Costs increased to £2,369,000 in 2006 from £2,117,000 in 2005 and include the following areas of the organisation; Marketing and Public Relations, Finance, Executive, Human Resources (HR), Health and Safety, Information Technology Management (IT) and Head Office and Security. The overall increase, year on year, was due to a number of costs ranging from annual remuneration increases, IT maintenance contracts, non recoverable VAT, recruitment costs, IT depreciation and the increased resourcing of the group IT function, in part offset by IT savings within the Property area.

Property and Related Costs increased to £4,024,000 in 2006 from £3,899,000 in 2005. Letchworth Cottages and Buildings costs were £32,000 higher. The remaining difference were as a result of increased Support Costs.

Cost of Business Services and Retail Activities increased very slightly to £932,000 in 2006 from £928,000 in 2005.

Farm Costs increased slightly to £677,000 in 2006 from £650,000 in 2005.

Provision of Educational Farm Costs increased very slightly to £307,000 in 2006 from £305,000 in 2005.

Cinema Expenditure decreased to £841,000 in 2006 from £1,107,000 in 2005, reflecting the net effect in 2005 of the £237,000 cost to the Group of "Impairing the assets" of Broadway Cinema Limited, together with salary and depreciation savings in 2006.

Interest Payable decreased to £60,000 in 2006 from £478,000 in 2005, reflecting the interest payable savings made as a result of the repayment of the outstanding HSBC loan totalling £7,000,000 in the early part of the fiscal year, together with the lack of notional interest payable on the pension scheme (£83,000 in 2005).

Charitable Activities increased from £2,377,000 in 2005 to £2,952,000 in 2006 and includes Grants payable. Grants committed in 2006 were £743,178, offset by grants cancelled of £46,737, producing a net grants payable figure of £696,441. In 2005 committed grants of £445,087 were offset by grants cancelled of £18,999, producing a net grants payable figure of £426,088. Letchworth Cottages and Buildings, granted within 2006 £173,000 against £22,000 in 2005. Other Charitable activities' costs in 2006, for the most part, were marginally above the 2005 level.

Governance Costs in 2006 were £215,000 and in 2005 £216,000. These include those costs incurred in the governance of the Foundation's assets, and are primarily associated with constitutional and statutory requirements. Included within governance are the costs of Company Secretarial, Internal Audit, Statutory account preparation and External Audit.

Net Incoming Resources, before other recognised gains and losses, as a result of the aforementioned, show a surplus of £729,000 in 2006 compared with a deficit of (£48,000) in 2005.

Other Recognised Gains and Losses. The Heritage Foundation's main areas of operation, analysed above, are managed to achieve a 'near break even' result on the year, before interest receivable and payable, but after charitable distributions. In 2006, additional interest income was achieved through the investment of the surplus cash deposits. This additional income facilitated the Foundation Board increasing the value of grants approved. The General Fund and Restricted fund increased by a net £821,000 through the surplus on Sale and leasing of investment properties, with a further increase of £16,267,000 as a result of the Revaluation of the investment properties, further added to by an actuarial gain on the pension scheme of £182,000, offset by an Unrealised Loss on the UBS Active Bond investment of £142,000. Overall in 2006, the net increase in funds was £17,857,000, compared with £20,062,000 in 2005.

Funds brought forward of £140,424,000 increased to £158,281,000.

Trading Subsidiaries

As an Industrial and Provident Society with charitable status, the Foundation cannot trade for profit. Accordingly, it operates a number of subsidiary companies, which 'gift aid', their profits to the Heritage Foundation. In the year to 30th September 2006 these subsidiaries 'gift aided' in total £147,000 to the Heritage Foundation.

Letchworth Garden City Farms Limited, which in addition to the 2,500 acre, primarily arable farm, includes a Forestry and Landscaping business, plus the operation of Standalone farm, a recreational and educational farm, which made a profit of £63,000 (before 'gift aiding' £80,000 to the Heritage Foundation) against a budgeted profit of £5,000. This was as a result of realised income from Standalone, Forestry and the Arable farm exceeding budgeted expectations. The overall result, whilst close to the prior year's profit of £89,000, reflects a small reduction in some areas of Standalone's income, including that from Woodland Grants, a slightly increased Arable farm profit and an improved result from the Forestry operation. Standalone Farm met its visitor target by attracting over 100,000 visitors, primarily as a result of the hot summer which facilitated the shop meeting its profit target of £20,000.

Letchworth Garden City Services Limited, holds a controlling interest in Broadway Cinema Ltd. In 2006, the Company made a profit of £7,000 before 'gift aid' of £7,000.

Broadway Cinema Limited, where Letchworth Garden City Services Ltd holds a 90% shareholding, had another challenging financial year. The business made a small loss for the year of £12,000. Turnover increased to £599,000 from £567,000 in 2005. Average film rental costs remained high, at over 45% of admission income for the year. The financial results for the year included an £8,000 impairment in respect of the assets purchased during the year, significantly offset by the lack of depreciation charged in the year, following the impairment of its fixed assets at the 2005 financial year end. The business received a small grant of £242, compared to the £75,000 grant, the previous fiscal year from the Heritage Foundation, under its object 'assisting in the provision of facilities for recreation and leisure'. Whilst being totally dependent upon the film offerings in any financial year, the business performed close to its budgeted loss despite not achieving its budgeted revenue.

Garden City Technologies Limited generated a profit of £86,000 before 'gift aiding' £60,000 to the Heritage Foundation. This was achieved through maintaining revenue in an increasingly competitive environment, particularly in the area of telephony income, which together with cost control facilitated a profit for the year, greater than budget by £36,000.

Letchworth Cottages and Buildings Limited has exempt charitable status. During the year, a deficit of £7,000 was sustained, compared with a surplus of £216,000 in 2005. The results included Charitable expenditure totalling £224,643, which included grants totalling £172,936. This compares to £48,917 in 2005, which included grants of £22,300. During the year it was targeted to implement low cost home ownership initiatives which it achieved via its part funding, via the William Sutton Housing Trust, of six new shared ownership properties.

Funds Policy

General Fund: This fund comprises property and assets inherited upon vesting under the Letchworth Garden City Heritage Foundation Act, 1995. This will be increased or decreased by subsequent years' revaluation of investment properties, together with profits on disposal of capital assets, interest and non-property investment income receivable, and the Actuarial gain or loss on the pension scheme. The majority of the fund consists of property assets and is not considered to be distributable, while the remainder of the fund has been earmarked for future Town Centre projects. The Foundation's main areas of operation, appearing within the Statement of Financial Activities, achieve a near break-even result, after Charitable Distributions, before interest receivable and payable, therefore having little or no effect on the retained funds.

Restricted Fund: This fund represents the statutory reserves of Letchworth Cottages & Buildings Ltd (LCB), a registered charity with restrictions on its ability to utilise its reserves. The fund exists in order to provide LCB with the ability to undertake new developments in Letchworth, which meet current and future identifiable social housing needs.

Detailed research, undertaken in 2004, identified specific housing needs in Letchworth Garden City. This informed LCB and the Foundation in respect of a number of planned initiatives. Discussions with the local planning authority North Hertfordshire District Council with regard to planning applications and future investment is ongoing.

Investment Policy

The Foundation's income is derived in the main from its property investments, which embrace long leasehold interests, and rack-rented properties in the industrial, commercial, retail and residential sectors. Additional income is received from the Foundation's trading subsidiaries when these profits are 'gift aided' to the Foundation.

The Foundation's strategy is to seek, wherever possible, to enhance its rent roll, thus providing the revenue to fund its charitable objects. However, strategic disposal of land on the basis of long leases is necessary on occasions to raise capital to fund further Estate investment and regeneration.

"Cash at bank" is managed in line with the Rules of the Foundation, to optimise the return from investment of these cash funds through a treasury management programme. The Foundation manages various banking relationships in order to maximise its return from excess cash funds at any point in time. During 2006 the Foundation entered into an agreement with UBS investing in their "Active Bond" product with the objective of receiving a competitive rate of interest income plus an opportunity for capital growth over the longer term. These funds having been ear-marked for the future Town Centre projects.

The Foundation ensures that it maximises its income from property investments by undertaking strategic master planning of the Estate. In recent years this has embraced Town Centre Revitalisation Strategies, an Industrial Strategy, an Urban Design Strategy, a Stabling and Grazing Review, a review of Un-adopted Roads, of Barns and of Allotments, as well as a comprehensive review of Letchworth Cottages & Buildings Ltd's social housing activities.

The Foundation has also sought to preserve the visual amenity and value of the Garden City Estate by publishing Design Guidance and detailed Guidance Notes to inform and advise owners of residential properties.

The Foundation's property team bring forward proposals for site acquisition, development or disposal against the backdrop of the appropriate strategic plans. The proposals are 'option tested', include robust financial appraisals, and are then scrutinised by Directors in terms of consistency with Business Plan objectives, priorities and cash flow implications. Only when Directors are satisfied with the proposals are they submitted to the Board of Management.

In terms of new developments, rental assumptions are 'bench-marked' against local and regional marketplaces and realistic void assumptions included. For rack rented properties, rental evidence is sought, through both internal staff and property consultants. This is also the case when rent reviews are undertaken under provisions in leases.

Responsibilities of the Board of Management in respect of the Accounts of the Foundation

The Board of Management of the Foundation is required to prepare accounts for each financial year which comply with the Industrial & Provident Societies Act 1965, the Friendly and Industrial & Provident Societies Act 1968, the Letchworth Garden City Heritage Foundation Act 1995 and Statement of Recommended Practice, Accounting and Reporting by Charities (SORP 2005). In preparing these accounts the Board of Management:

- Selects suitable accounting policies and then applies them consistently;
- Makes judgements and estimates that are reasonable and prudent;
- States whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the accounts; and
- Prepares the accounts on the going concern basis unless it is inappropriate to presume that the activities of the Foundation will continue.

The Board of Management is responsible for keeping proper accounting records, which disclose, with reasonable accuracy at any time, the financial position of the Foundation and enable it to ensure that the accounts comply with appropriate legislation and recommendations. The Board of Management is also responsible for safeguarding the assets of the Foundation and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Chaplin Frobisher Welling

Company Secretary

By order of the Board of Management

13 February 2007

Disclosure of information to the auditors

As far as each person who was a member of the Board of Management at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow Board of Management members and the Foundation's auditor each member of the Board of Management has taken all the steps that he/she is obliged to take in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Independent Auditors' Report

For the year ended 30 September 2006

To the Governors of Letchworth Garden City Heritage Foundation

We have audited the Foundation's accounts for the year ended 30 September 2006, which comprise the consolidated statement of financial activities, balance sheets, consolidated cash flow statement, summary income and expenditure account, and the related notes 1 to 25. These accounts have been prepared on the basis of the accounting policies set out therein.

The report is made solely to the Foundation's Governors, as a body. Our audit work has been undertaken so that we might state to the Foundation's Governors those matters which we are required to state to them in an auditors' 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 Foundation and the Foundation's Governors as a body, for our audit work, for this report, or for the opinions we have formed.

Respective responsibilities of the Board of Management and Auditors

As described on page 22, the Board of Management is responsible for the preparation of the Report and accounts in accordance with applicable United Kingdom law and Accounting Standards.

Our responsibility is to audit the accounts 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 accounts give a true and fair view and are properly prepared in accordance with the Industrial and Provident Societies Act 1965, the Friendly and Provident Societies Act 1968 and the Letchworth Garden City Heritage Foundation Act 1995. We also report to you if, in our opinion, the Chairman's Statement, the Director General's Report and the Report of the Board of Management is not consistent with the accounts, if the Foundation has not kept proper accounting records, if we have not received all the information and explanations we require for our audit. We read the Chairman's Statement, the Director General's Report and the Report of the Board of Management and consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the accounts.

Basis of 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 accounts. It also includes an assessment of the significant estimates and judgements made by the Board of Management in the preparation of the accounts, and of whether the accounting policies are appropriate to the Foundation'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 accounts 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 accounts.

Opinion

In our opinion the accounts give a true and fair view of the state of affairs of the Foundation and of the Group as at 30 September 2006 and of the incoming resources and resources expended including income and expenditure of the Group for the year then ended and have been properly prepared in accordance with the Industrial and Provident Societies Act 1965, the Friendly and Industrial and Provident Societies Act 1968 and the Letchworth Garden City Heritage Foundation Act 1995.

Ernst & Young LIP

Registered Auditor

Luton

13 February 2007

Consolidated Statement of Financial Activities

for the year ended 30 September 2006

	Notes	Unrestricted Funds £'000	Restricted Funds £'000	Total 2006 £'000	* (Restated) 2005 £'000
Incoming Resources					
Activities for generating funds:					
Property income		7,240	39	7,279	6,951
Business services and retail sales		598	-	598	593
Farm income		713	-	713	688
Educational farm income		281	-	281	308
Cinema income		651	-	651	610
Investment income and interest	9	817	234	1,051	517
Activities in furtherance of the charity's objects:					
Other incoming charitable resources		164	-	164	245
Total Incoming Resources		<u>10,464</u>	<u>273</u>	<u>10,737</u>	<u>9,912</u>
Resources Expended					
Costs of generating funds:					
Property and related costs		3,961	63	4,024	3,899
Cost of business services and retail activities		932	-	932	928
Farm costs		677	-	677	650
Provision of educational farm		307	-	307	305
Cinema expenditure		841	-	841	1,107
Interest Payable	8	60	-	60	478
	3	<u>6,778</u>	<u>63</u>	<u>6,841</u>	<u>7,367</u>
Charitable Activities	3	2,779	173	2,952	2,377
Governance Costs	3	215	-	215	216
Total Resources Expended	3	<u>9,772</u>	<u>236</u>	<u>10,008</u>	<u>9,960</u>
Net Incoming/ (Outgoing) Resources before other recognised gains and losses		692	37	729	(48)
Other Recognised Gains and Losses					
Surplus / (Deficit) on sale and leasing of investment properties		865	(44)	821	13,771
Revaluation of tangible fixed assets		15,571	696	16,267	6,590
Unrealised loss on bond investment		(142)	-	(142)	
Actuarial gain/ (loss) on pension scheme		182	-	182	(251)
		<u>16,476</u>	<u>652</u>	<u>17,128</u>	<u>20,110</u>
Net Movement in Funds		17,168	689	17,857	20,062
Fund Balances Brought Forward at 1 October 2005	21	130,585	9,839	140,424	120,362
Total Funds Carried Forward at 30 September 2006	21	<u>147,753</u>	<u>10,528</u>	<u>158,281</u>	<u>140,424</u>

The comparatives for the year ended 30 September 2005 have been restated due to changes brought about by the introduction of SORP 2005.

Consolidated Cash Flow Statement

for the year ended 30 September 2006

	Notes	2006 £'000	2005 £'000
Net Cash (Outflow)/Inflow from Operating Activities	24	<u>436</u>	<u>(1,070)</u>
Returns on Investments and Servicing of Finance			
Interest received		922	540
Interest paid		(88)	(395)
Interest paid on finance leases		--	(1)
Net Cash Inflow from Returns on Investments and Servicing of Finance		<u>834</u>	<u>144</u>
Capital Expenditure and Financial Investment			
Additions to investment property		(1,603)	(215)
Sales of investment property		2,778	23,646
Purchase of operational assets		(771)	(576)
Sales of operational assets		(4)	138
Assets in course of construction		(3,194)	(922)
Purchase of properties held for resale		-	(273)
Sales of properties held for resale		492	-
Investments in bonds		(10,258)	
Loans to, less repayments from, staff, businesses and local organisations		(11)	(44)
Repayment of loans relating to leasehold enfranchisement		8	45
Net Cash Inflow/(Outflow) from Capital Expenditure and Financial Investment		<u>(12,563)</u>	<u>21,799</u>
Net Cash Inflow/(Outflow) before Use of Liquid Resources and Financing		<u>(11,293)</u>	<u>20,873</u>
Management of Liquid Resources			
Net maturities of money market deposits	25	357	(320)
Net Cash Inflow/(Outflow) from Management of Liquid Resources		<u>357</u>	<u>(320)</u>
Financing			
Repayment of capital element of finance lease and hire purchase obligations	25	(3)	(111)
Repayment of other loan		-	(19)
Repayment of bank loan		(7,000)	-
Net Cash Inflow/(Outflow) from Financing		<u>(7,003)</u>	<u>(130)</u>
Increase/(Decrease) in Cash	25	<u><u>(17,939)</u></u>	<u><u>20,423</u></u>

Consolidated Summary Income and Expenditure Account

for the year ended 30 September 2006

		* (Restated)	
	Notes	2006 £'000	2005 £'000
Income			
Gross income from continuing operations		9,686	9,395
Surplus on sales and leasing of land and buildings		821	13,771
Interest receivable		1,051	517
Gross Income		<u>11,558</u>	<u>23,683</u>
Expenditure			
Expenditure on continuing operations		9,949	9,574
Interest payable		60	478
Gross Expenditure		<u>10,009</u>	<u>10,052</u>
Retained Surplus for the Year		1,549	13,631
Minority interest		1	92
Net Surplus Attributable to the Group		<u>1,550</u>	<u>13,723</u>

The Consolidated Summary Income and Expenditure Account is presented to ensure compliance with the Industrial and Provident Societies Acts.

Balance Sheets

as at 30 September 2006

	Notes	Group		Foundation	
		2006 £'000	2005 £'000	2006 £'000	2005 £'000
Fixed Assets					
Tangible assets:					
Investment properties	12	125,426	106,683	120,059	101,909
Operational assets	13	12,621	12,668	9,946	9,941
		<u>138,047</u>	<u>119,351</u>	<u>130,005</u>	<u>111,850</u>
Tangible assets in course of construction		1,071	595	1,058	595
Investment in Bonds	14	10,116	-	10,116	-
Other investments	15	10	10	1,925	1,925
		<u>149,244</u>	<u>119,956</u>	<u>143,104</u>	<u>114,370</u>
Current Assets					
Stocks	16	591	582	18	24
Properties held for sale		53	493	53	493
Debtors	17	2,547	2,193	2,314	2,127
Loans due within one year	18	44	87	44	87
Loans due after one year	18	604	559	654	609
Money market deposits		4,700	5,057	-	-
Cash at bank and in hand		6,751	24,690	5,022	23,475
		<u>15,290</u>	<u>33,661</u>	<u>8,105</u>	<u>26,815</u>
Creditors					
Amounts falling due within one year	19	(4,370)	(4,130)	(3,933)	(3,900)
Net Current Assets		<u>10,920</u>	<u>29,531</u>	<u>4,172</u>	<u>22,915</u>
Total Assets Less Current Liabilities		160,164	149,487	147,276	137,285
Creditors					
Amount falling due after more than one year	19	(87)	(7,047)	(87)	(7,047)
Net assets before pension scheme deficit		<u>160,077</u>	<u>142,440</u>	<u>147,189</u>	<u>130,238</u>
Pension scheme deficit	20	(1,747)	(1,966)	(1,747)	(1,966)
Net assets after pension scheme deficit		<u>158,330</u>	<u>140,474</u>	<u>145,442</u>	<u>128,272</u>
Capital Funds					
General fund	21	147,753	130,585	145,442	128,272
Restricted fund	21	10,528	9,839	-	-
	22	<u>158,281</u>	<u>140,424</u>	<u>145,442</u>	<u>128,272</u>
Minority interests in subsidiaries		49	50	-	-
		<u>158,330</u>	<u>140,474</u>	<u>145,442</u>	<u>128,272</u>

J A Scouller
Chairman
13 February 2007

C D Wells
Board Member

S M Kenny
Director General

Notes to the Accounts

at 30 September 2006

1. Accounting Policies

Accounting convention

The accounts which are prepared in accordance with the Charities Act and with applicable accounting standards include the Statement of Recommended Practice, Accounting and Reporting by Charities (SORP 2005) issued February 2005 and are prepared under the historical cost convention modified by the revaluation of investment properties and bond investments.

Basis of consolidation

Consolidated accounts of the Group incorporate the accounts of Letchworth Garden City Heritage Foundation and its subsidiary undertakings all of which are made up to 30 September. An entity Statement of Financial Activities is not presented as the charity is relying on paragraph 397 of SORP 2005.

Prior year adjustment

The comparatives have been restated in the current year to reflect changes in structure of the accounts as a result of the requirements of SORP 2005.

Incoming resources

The types of income included within each category are as follows. Unless otherwise stated, all income is recognised on an accruals basis, matching it to the period in which the goods or services provided relates:

Property income	comprises primarily rent receivable on investment properties. It excludes service charges which are recognised in the period to which they relate and are credited against the relevant expenditure.
Business services and retail sales	income derived from Ballroom lettings, Plinston Hall sales, souvenir sales, telephone and IT services.
Farm income	income derived from sales and grants received arising from commercial farm management of the Foundation's arable farmland and sale of livestock.
Educational Farm income	income sourced from public admission, souvenirs and refreshments, sundry rents, woodland grants, stabling and grazing and livestock sales.
Cinema income	comprises primarily admissions, concession sales and advertising revenue.
Investment income and interest	Income derived from the investment of excess cash, includes interest earned from cash balances, money market deposits, and bond investments. It also includes an FRS 17 notional interest figure representing the net return on pension scheme assets, less interest on scheme liabilities.
Other Incoming Charitable Resources	include, but are not exclusive to, Museum admissions, patient meals, external mini bus income and Plinston charitable lettings.

Gifts and intangible income

Gifts and intangible income are included in the Statement of Financial Activities as incoming resources at their fair value.

Resources expended

The types of expenditure included within each category, in addition to an allocation of support costs, are shown below. All costs are accounted for on an accruals basis:

Property and related costs	include property lettings and bad debt provision.
Cost of business services and retail activities	include souvenirs, café bar and catering stock for resale together with equipment costs, advertising, professional fees, IT support and depreciation.
Farm costs	include maintenance of plant, equipment, buildings and grounds, farm vehicle costs, seeds, fertilizer, sprays, livestock, contractor costs, agency commission cost and managing agent's fees.

Notes to the Accounts

at 30 September 2006

1. Accounting Policies (continued)

Provision of educational farm	include maintenance of plant, equipment, buildings and grounds, farm vehicle costs, purchase of livestock, animal food and care costs, purchase of goods for resale in farm shop.
Cinema	include film rentals, concession purchases, advertising, maintenance of equipment and cleaning.
Charitable activities	
Day hospital	include training, recruitment, office costs, legal fees, computer consumables, maintenance fees, equipment hire, patient meals and ambulance costs.
Heritage museum	include training, recruitment, office costs, legal fees, computer consumables, maintenance fees, equipment hire, exhibit costs, reproduction expenses, archive maintenance and display costs.
Minibus service	include training, recruitment, vehicle maintenance costs and equipment hire.
Environmental improvements	include CCTV costs and planting costs.
Community information	publishing and distribution costs.
Miscellaneous charitable expenditure	include the provision of Christmas lights, support payments to the Citizens Advice Bureau and repair costs.
Provision of community hall and facilities	include training, recruitment, office costs, legal fees, computer consumables, maintenance fees, machinery rental, equipment hire, security, artistes' fees and ticketing costs.
Grants payable	Grants are recognised on a committed basis.
Governance costs	Governance costs include those incurred in the governance of the Foundation's assets and are primarily associated with constitutional and statutory requirements. Included within governance are the costs of Company Secretarial, Internal Audit, Statutory account preparation and External audit.
Support costs	The Foundation operates a number of centralised functions that support all of its activities: Marketing and Public Relations (including Tourist Information Centre), Finance, Human Resources, Director General, Health and Safety, Information Technology, Internal Audit, General Administration and Community Affairs. The costs within these functions include training, recruitment, office costs, travel, legal fees, computer consumables, maintenance fees, service charges, machinery rental, cleaning and security. These costs are categorised as "support costs" and are allocated across the primary cost categories detailed within the SOFA in line with SORP 2005 requirements.

Investment Properties

Certain of the Foundation's properties are held for long-term investment and are stated in the balance sheets at their market value at the balance sheet date. Other properties classified as operational properties are held at cost. The Board of Management believes that this policy is necessary in order for the accounts to give a true and fair view, since the current value of investment properties, and changes to the current value, are of importance rather than a calculation of systematic annual depreciation. All movements in the value of investment properties, whether arising from disposals or revaluation, are reflected in the Consolidated Statement of Financial Activities. The cumulative unrealised gains are disclosed in the notes to the accounts.

Notes to the Accounts

at 30 September 2006

1. Accounting Policies (continued)

Depreciation of tangible fixed assets

Depreciation is not provided in respect of land and investment properties other than leasehold properties with less than 25 years to run. The cost of other tangible fixed assets is written off by equal annual instalments over their expected useful life as follows:

Operational buildings	2%
Short leasehold properties	% based on remaining length of lease
Vehicles, machinery and equipment	20%
Furniture and fittings	10%
Office equipment	20%
Computer equipment	33%
Multi seated vehicles	10%
Primary systems software	20%
Leased equipment	Life of the lease or asset category

The carrying values of tangible fixed assets are reviewed for impairment when events or changes in circumstances indicate the carrying value may not be recoverable.

Investments

Investments are recorded at cost. The carrying value of investments are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

Stocks

Farm stocks are valued at the lower of professionally valued estimated cost of production and net realisable value as appropriate. Estate and retail stocks are included at the lower of cost and net realisable value with due allowance made for all obsolete and slow moving items.

Leases and Hire Purchase

Tangible fixed assets held under leasing or hire purchase arrangements that transfer substantially all the risks and rewards of ownership to the Foundation are identified as a specific class of asset. Such assets are subject to depreciation over the shorter of the lease term and the estimated useful life of the assets. The finance charges are charged to the Consolidated Statement of Financial Activities over the primary periods of the agreements and represent a constant proportion of the balance of capital repayments outstanding. Rentals paid under operating leases are charged to the Consolidated Statement of Financial Activities on a straight line basis over the term of the lease.

Funds

General Fund: This fund comprises property and assets inherited upon vesting under the Letchworth Garden City Foundation Act 1995. This has been increased or decreased by subsequent years' revaluation of investment properties together with profits on disposal of capital assets. The majority of this fund is not cash and is not considered to be distributable, while the remainder of the fund has been ear-marked for future Town Centre projects. The Foundation's main areas of operation within the Statement of Financial Activities, achieve a near break-even result (after excluding interest income derived from surplus cash funds) having little or no effect on the retained funds.

Restricted Fund: This fund represents the statutory reserves of Letchworth Cottages and Buildings Ltd (LCB), a registered charity with restrictions on its ability to utilise its reserves. The fund exists in order to provide LCB with the ability to undertake new developments in Letchworth Garden City, which meet current and future identifiable social housing needs.

Pensions

a) Defined Benefit Scheme

The Foundation participates in the Hertfordshire Local Government Pension Scheme which provides benefits based on pensionable earnings near retirement. The associated pension costs are recognised on a systematic basis so that the costs of providing retirement benefits to employees are evenly matched, so far as possible, to the working lives of the employees concerned. The group adopted FRS 17 'Retirement Benefits' with effect from 1 October 2004.

b) Defined Contribution Scheme

The Foundation operates an additional defined contribution pension scheme for certain employees. Contributions are charged to the Consolidated Statement of Financial Activities as they become payable.

Notes to the Accounts

at 30 September 2006

2. Trading Results of Subsidiaries

The Foundation has three wholly owned trading subsidiaries which are incorporated in England and Wales. Letchworth Garden City Farms Ltd farms the rural estate under a tenancy agreement with the Foundation and operates a model farm centre. Letchworth Garden Services Ltd has a controlling interest in Broadway Cinema Ltd, which operates a three screen cinema in the town. Garden City Technologies Ltd provides IT and telephone services. Where appropriate, subsidiaries make 'gift aid' payments to the Foundation and pay rent and interest on intra-group loans.

In addition, the Foundation has a charitable subsidiary, Letchworth Cottages and Buildings Ltd, which is a housing association and an industrial and provident society that retains its surplus and therefore constitutes a restricted fund within the Group accounts of the Foundation.

A summary of the results and net assets of each subsidiary is shown below.

	LGC Farms Ltd £'000	LGC Services Ltd £'000	Broadway Cinema Ltd £'000	Garden City Technologies Ltd £'000	Letchworth Cottages and Buildings Ltd £'000
2006:					
Turnover	1,150	-	599	440	39
Profit/(loss) before 'gift aid' and tax	63	7	(12)	86	(7)
Gift aid	(80)	(7)	-	(60)	-
Profit/(loss) before tax	(17)	-	(12)	26	(7)
Gross assets	1,455	125	704	828	10,615
Gross liabilities	(425)	(25)	(213)	(120)	(87)
Net assets	<u>1,030</u>	<u>100</u>	<u>491</u>	<u>708</u>	<u>10,528</u>
2005:					
Turnover	1,119	52	567	438	33
Profit/(loss) before exceptional items, 'gift aid' and tax	89	1	(32)	75	216
Exceptional items	-	(1,800)	(886)	-	-
Profit/(loss) before 'gift aid' and tax	89	(1,799)	(918)	75	216
Gift aid	(136)	(1)	-	(46)	-
Profit/(loss) before tax	(47)	(1,800)	(918)	29	216
Gross assets	1,318	144	749	791	9,854
Gross liabilities	(271)	(44)	(246)	(109)	(15)
Net assets	<u>1,047</u>	<u>100</u>	<u>503</u>	<u>682</u>	<u>9,839</u>

The exceptional cost during the year ended 30 September 2005 for Letchworth Garden City Services Limited of £1,800,000 was the impairment of its investment in Broadway Cinema Limited, and for Broadway Cinema Limited of £886,000 was the impairment of its fixed assets.

During the year Broadway Cinema Limited received a grant of £242 (2005: £75,000) from the Foundation under its object 'Assisting in the provision of facilities for recreation'.

Total 'gift aid' of £147,000 (2005: £183,000) is payable for the year to the Foundation. 'Gift aid' has been calculated based on taxable profits.

The loss of Letchworth Cottages and Buildings Ltd of £7,000 (2005: surplus of £216,000) includes a loss on disposal of fixed assets of £44,000 (2005: surplus of £13,000). In addition to this loss Letchworth Cottages and Buildings Ltd has a revaluation surplus arising in the year of £696,000 (2005: £489,000). None of the other subsidiaries have any recognised gains or losses other than the profit/(loss) before tax.

Notes to the Accounts

at 30 September 2006

3. Analysis of Total Resources Expended

	Support costs £'000	Direct costs £'000	Total 2006 £'000	Total 2005 £'000
Costs of generating funds:				
Property and related costs	998	3,026	4,024	3,899
Cost of business services and retail activities	232	700	932	928
Farm costs	130	547	677	650
Provision of an educational farm	67	240	307	305
Cinema expenditure	184	657	841	1,107
Interest payable	-	60	60	478
Total resources expended	<u>1,611</u>	<u>5,230</u>	<u>6,841</u>	<u>7,367</u>

Analysis of Charitable activities

Cost of activities in furtherance of the charity's objects:

	Total 2006 £'000	Total 2005 £'000
Provision of community hall and facilities	540	567
Provision of day care hospital	296	284
Provision of heritage museum	211	179
Provision of minibus service	71	65
Provision of environmental improvements	183	118
Provision of community information	81	51
Miscellaneous charitable expenditure	209	134
Grants payable	697	426
Support Costs	<u>664</u>	<u>553</u>
	<u>2,952</u>	<u>2,377</u>

Analysis of Governance Costs

Company Secretarial	24	37
Internal Audit	31	29
Stat Accounts prep	15	17
External Audit	51	48
Support Costs	<u>94</u>	<u>85</u>
	<u>215</u>	<u>216</u>

The consolidated Statement Of Financial Activities ("SOFA") has been prepared in accordance with SORP 2005. It has been formatted to highlight the individual incoming resources and the associated direct costs of the Foundation and its subsidiary undertakings' activities.

Notes to the Accounts

at 30 September 2006

4. Grants Payable

	2006 £	2005 £
The amount payable in the year comprises:		
Institutional grants:		
Largest 62 grants (2005: 60 grants)	606,175	329,239
Smaller grants	25,141	61,315
Total institutional grants:	<u>631,316</u>	<u>390,554</u>
Individual grants:		
Community grants - grants over £1,000 to 43 individuals* (2005: 23 individuals*)	90,724	41,333
Small community grants to individuals	21,138	13,200
Total individual grants:	<u>111,862</u>	<u>54,533</u>
*All of these awards are for architectural heritage grants paid under object 2(i)		
Total commitments made in the year	743,178	445,087
Grants cancelled or recovered	(46,737)	(18,999)
Total grants payable:	<u>696,441</u>	<u>426,088</u>
Reconciliation of grants payable:		
Commitments at 1 October 2005	305,175	147,166
Total grants payable	696,441	426,088
Grants payable for the year	1,001,616	573,254
Grants paid during the year	680,895	268,079
Commitments at 30 September 2006	<u>320,721</u>	<u>305,175</u>
	2006	2005
	£	£
Commitments at 30 September 2006 are payable as follows:		
Within one year (note 16)	320,721	305,175
After more than one year (note 16)	–	–
	<u>320,721</u>	<u>305,175</u>

Institutional grants: Grants awarded of £1,000 or more:

Object	2006		2005	
	Number	Value of Grants (£)	Number	Value of Grants (£)
(a) Providing, facilitating and encouraging housing and any associated amenities	4	172,936	2	22,300
(i) Preservation of buildings and other environmental features	2	7,224	2	19,500
(ii) Assisting in the provision of facilities for recreation	21	299,322	20	134,172
(iii) Advancement of education and learning	31	73,840	28	67,344
(iv) Relief of poverty and sickness	1	6,000	3	37,744
(v) Supporting Garden City charitable organisations	5	46,853	5	48,179
	<u>64</u>	<u>606,175</u>	<u>60</u>	<u>329,239</u>

Grants made under object (a) are made by Letchworth Cottages and Buildings Limited. Grants made under the other objects are made by the Foundation.

Notes to the Accounts

at 30 September 2006

4. Grants Payable (continued)

	2006		2005	
	Number	Value of Grants (£)	Number	Value of Grants (£)
(a) Providing, facilitating and encouraging housing and any associated amenities				
Herts Young Homeless Group *	3	37,936	2	22,300
William Sutton Trust*	1	135,000	-	-
	<u>4</u>	<u>172,936</u>	<u>2</u>	<u>22,300</u>
* paid by Letchworth Cottages & Buildings Ltd under its own objects.				
(i) Preservation of buildings and other environmental features				
North Hertfordshire District Council - Howard Park & Gardens	-	-	1	10,000
Letchworth Golf Club Trust	-	-	1	9,500
1905 Exhibition Cottage Group	1	4,224	-	-
St Thomas Church	1	3,000	-	-
	<u>2</u>	<u>7,224</u>	<u>2</u>	<u>19,500</u>
(ii) Assisting in the provision of facilities for recreation				
Hertfordshire Football Association	1	26,325	-	-
Fearnhill School	-	-	1	6,000
Jackmans Improvement Group	1	1,000	-	-
Letchworth Baptist Church	1	1,000	-	-
Letchworth Corner Squash Club	-	-	1	2,802
Letchworth Christian Fellowship	-	-	1	2,500
Letchworth Croquet Club	-	-	2	10,271
Letchworth Garden City Community Project	1	8,438	-	-
Letchworth Garden City Eagles Youth Football Club	3	29,480	1	1,853
Letchworth Model Railway Society	1	6,000	-	-
Letchworth & Baldock District Scouts	1	13,080	1	13,380
Letchworth Settlement Trust	-	-	1	20,000
Letchworth Garden City Rugby Union F.C.	1	3,649	2	11,200
7th Letchworth Scouts Group	1	1,400	-	-
Letchworth Golf Club Trust	2	63,000	1	10,500
Letchworth Tennis Club	1	90,000	-	-
North Herts District Council	2	18,000	-	-
North Herts Road Runners	1	1,000	1	1,000
North Herts Bowls Club	1	1,000	-	-
Rap-Aid	-	-	1	8,000
Royal British Legion	-	-	1	1,000
SLSCO Flame	-	-	1	1,000
The Place	1	23,950	3	41,130
The Settlement Players	-	-	1	1,750
St Paul's Church Hall	1	9,750	-	-
Whitehorn Bowls Club	1	2,250	-	-
Willian Village Hall	-	-	1	1,786
	<u>21</u>	<u>299,322</u>	<u>20</u>	<u>134,172</u>

In addition, £242 (2005: £75,000) was paid by the Foundation to its subsidiary, Broadway Cinema Limited under this object. This is not included within the table as this is a grant made within the group.

Notes to the Accounts

at 30 September 2006

4. Grants Payable (continued)

	2006		2005	
	Number	Value of Grants (£)	Number	Value of Grants (£)
(iii) Advancement of education and learning				
Active learning in school grounds	-	-	1	2,273
Fearnhill School	1	6,000	1	3,524
Grange School	2	3,448	1	1,500
Groundwork Hertfordshire	-	-	1	5,000
Hillshott School	2	3,448	1	1,500
Icknield Infants School	2	3,448	1	1,500
Lannock School	2	3,448	1	1,500
Letchworth Schools Music Festival	-	-	2	5,151
Lordship School	2	3,448	1	1,500
North Herts Support Centre	-	-	1	3,524
Northfields School	2	3,448	1	1,500
Norton St Nicholas	2	3,448	1	1,500
Pixmore School	2	3,448	1	1,500
Radburn School	2	3,448	1	1,500
St Thomas More Parents Association	-	-	1	1,800
St Thomas More School	2	3,448	1	1,500
Stonehill School	2	3,448	1	1,500
Letchworth Civic Trust	1	10,000	1	10,000
Wilbury School	2	3,448	1	1,500
Woolgrove School	2	3,448	1	1,500
Westbury School	1	1,371	1	1,500
St. Francis College	-	-	2	5,024
The Highfield School	2	11,645	1	3,524
St. Christopher School	-	-	3	6,524
	<u>31</u>	<u>73,840</u>	<u>28</u>	<u>67,344</u>
(iv) Relief of poverty and sickness				
Council for Voluntary Services Furniture Link Scheme	-	-	2	12,744
East & North Herts NHS Charitable Trust	-	-	1	25,000
Home-Start North Hertfordshire	1	6,000	-	-
	<u>1</u>	<u>6,000</u>	<u>3</u>	<u>37,744</u>
(v) Supporting Garden City charitable organisations				
St John Ambulance	1	7,535	1	7,459
Council for Voluntary Services Furniture Link Scheme	1	17,530	1	9,301
North Herts & District Citizens Advice Bureau	2	19,031	1	4,395
Garden House Hospice	-	-	1	25,000
Multiple Sclerosis Trust	1	2,757	1	2,024
	<u>5</u>	<u>46,853</u>	<u>5</u>	<u>48,179</u>

Notes to the Accounts

at 30 September 2006

5. Support Costs

The Support costs of the Foundation consisted of seven cost elements: Marketing and Public Relations, Finance, Executive, Human Resources, Health and Safety, Information Technology Management (IT) and Head Office and Security costs.

These costs were allocated to the following activity cost categories:

- Property and related costs
- Cost of Business services and retail activities
- Farms costs
- Provision of educational farm
- Cinema Expenditure
- Charitable activities
- Governance Costs

on a basis consistent with the use of resources as follows:

Marketing and Public Relations	Percentage of the time spent
Finance	Work done
Executive	Work done
Human Resources	Head Count
Health and Safety	Head Count
Information Technology Management (IT)	Work done
Head Office and Security costs	*See separate note below*

Head Office and Security costs:

Taking the departments residing in the Foundation's Head Office building; Garden City Technologies Ltd, IT, Property, Marketing and Public Relations, Human Resources, Finance and Executive and apportioning the total "Head Office and Security" annual costs in the ratio of headcount for each department residing there. These costs were then allocated across the activities as follows:

Garden City Technologies Ltd	Allocated to "Cost of Business services and retail activities"
IT	Allocated by "Work Done"
Property	Allocated to "Property and related costs"
Marketing	Allocated using "Percentage of time spent"
Human Resources	Allocated by "Headcount"
Finance	Allocated by "Work Done"
Executive	Allocated by "Work Done"

This exercise produced the result detailed in the table below in respect of the total support costs to be allocated:

	Marketing and Public Relations	Finance	Executive	Human Resources	Health and Safety	Information Technology Manage- ment (IT)	Head Office and Security costs	2006 Total	2005 Total
Property and related costs	124	288	103	62	5	222	194	998	924
Cost of Business services and retail activities	4	68	25	46	4	53	32	232	221
Farms costs	0	54	19	7	1	41	8	130	114
Provision of educational farm	8	24	9	4	0	18	4	67	60
Cinema Expenditure	8	65	23	26	2	50	10	184	160
Charitable activities	206	156	56	84	7	120	35	664	553
Governance Costs	62	12	4	2	0	9	5	94	85
Total Costs Allocated	<u>412</u>	<u>667</u>	<u>239</u>	<u>231</u>	<u>19</u>	<u>513</u>	<u>288</u>	<u>2,369</u>	<u>2,117</u>

Notes to the Accounts

at 30 September 2006

6. Retained Surplus for the Year

This is stated after charging:

	2006 £'000	2005 £'000
Depreciation of tangible fixed assets		
On owned assets	558	605
On assets held under finance leases and hire purchase contracts	4	10
Auditors' remuneration and expenses:		
Audit services	56	47
Non-audit services	42	39
Operating lease rentals:		
Land and buildings	298	251
Plant and machinery	-	42
	<u> </u>	<u> </u>

7. Employees

	2006 £'000	2005 £'000
Staff costs for the Group during the year amounted to:		
Wages and salaries	3,296	3,038
Social security costs	266	230
Other pension costs	468	323
Agency staff costs	7	33
	<u> </u>	<u> </u>
	4,037	3,624

Areas within the organisation employed agency staff during the year to cater for specific projects and staff absence. The average weekly number of employees of the Group during the year calculated on a full-time equivalent basis, analysed by function, was as follows:

	2006 Number	2005 Number
Charitable activities	57	56
Broadway Cinema	18	19
Property management and maintenance	42	42
Agricultural	8	8
Administration	26	23
Marketing and PR	6	6
	<u> </u>	<u> </u>
	157	154

The number of employees whose emoluments (including benefits in kind) amounted to over £60,000 in the year were as follows:

	2006 Number	2005 Number
£70,001-£80,000	-	1
£80,001 - £90,000	1	-
£90,001-£100,000	1	2
£100,001-£110,000	1	-
£130,001-£140,000	-	1
£140,001-£150,000	1	-
	<u> </u>	<u> </u>
	4	4

Contributions payable to defined contribution pension schemes in respect of employees whose emoluments are included in the table above amounted to £6,000 (2005: £6,000) in respect of 1 employee (2005: 1 employee). The number of employees whose emoluments are included in the table above who are members of the defined benefit pension scheme was 4 (2005: 4).

Board of Management

Members of the Board of Management, who are the trustees of the charity, neither received nor waived any emoluments during the year (2005: £nil). No members were reimbursed for out of pocket expenses in the year.

Notes to the Accounts

at 30 September 2006

8. Interest Payable and Similar Charges

	2006 £'000	2005 £'000
On amounts repayable within 5 years:		
Finance leases	-	2
Other loans	-	1
Other	6	6
On amounts repayable in more than 5 years:		
Bank loan	54	386
	<u>60</u>	<u>395</u>
Net notional interest on pension scheme assets and liabilities	-	83
	<u>60</u>	<u>478</u>

9. Investment income & interest

	2006 £'000	2005 £'000
Bank Interest	446	278
Investment in Bonds Interest	378	0
Money Market Deposit Interest	147	224
Dividends	1	1
Other Interest Receivable	25	14
	<u>997</u>	<u>517</u>
Notional interest on provision for pension payments	54	0
	<u>1,051</u>	<u>517</u>

10. Taxation

The Foundation is not liable to taxation on revenue or capital surpluses since the Foundation has been accepted by the Inland Revenue and The Registrar of Friendly Societies as having charitable status. Similarly, its subsidiary Letchworth Cottages and Buildings Limited is not liable to taxation on revenue or capital surpluses as an exempt charity. None of the other subsidiary undertakings has taxable profits in the year due either to the availability of trading losses or 'gift aiding' taxable profits to the Foundation.

11. Surplus Attributable to Letchworth Garden City Heritage Foundation

The surplus dealt within the accounts of the Foundation amounted to £17,170,000 (2005: £17,847,000).

Notes to the Accounts

at 30 September 2006

12. Tangible Assets - Investment Properties

Group	Freehold	Long	Short	Buildings &	Total
	property	Leasehold	Leasehold	land subject	
	£'000	property	property	to finance	£'000
		£'000	£'000	leases	£'000
At 30 September 2005					
at valuation	98,498	3,330	-	4,780	106,608
at cost	-	-	208	-	208
Additions	4,026	10	-	138	4,174
Disposals	(1,958)	-	-	-	(1,958)
Transfers from operating property	275	-	-	-	275
Revaluation	15,630	240	-	397	16,267
At 30 September 2006					
at valuation	116,471	3,580	-	5,315	125,366
at cost	-	-	208	-	208
Depreciation:					
At 30 September 2005	-	-	133	-	133
Charge for the year	-	-	15	-	15
At 30 September 2006	-	-	148	-	148
Net book value:					
At 30 September 2006	<u>116,471</u>	<u>3,580</u>	<u>60</u>	<u>5,315</u>	<u>125,426</u>
At 30 September 2005	<u>98,498</u>	<u>3,330</u>	<u>75</u>	<u>4,780</u>	<u>106,683</u>
Foundation					
At 30 September 2005					
at valuation	93,724	3,330	-	4,780	101,834
at cost	-	-	208	-	208
Additions	4,026	10	-	138	4,174
Disposals	(1,855)	-	-	-	(1,855)
Transfers from operating property	275	-	-	-	275
Revaluation	14,934	240	-	397	15,571
At 30 September 2006					
at valuation	111,104	3,580	-	5,315	119,999
at cost	-	-	208	-	208
Depreciation:					
At 30 September 2005	-	-	133	-	133
Charge for the year	-	-	15	-	15
At 30 September 2006	-	-	148	-	148
Net book value:					
At 30 September 2006	<u>111,104</u>	<u>3,580</u>	<u>60</u>	<u>5,315</u>	<u>120,059</u>
At 30 September 2005	<u>93,724</u>	<u>3,330</u>	<u>75</u>	<u>4,780</u>	<u>101,909</u>

The investment properties other than short leasehold properties and sundry residential properties were valued at 30 September 2006 by Messrs Bidwells, Property Consultants and Chartered Surveyors as External Valuers in accordance with the Appraisal and Valuation Standards of the Royal Institution of Chartered Surveyors and the International Valuation Standards. The valuation of each property was on the basis of Market Value, primarily derived using comparable recent market transactions on arm's length terms.

Notes to the Accounts

at 30 September 2006

12. Tangible Assets - Investment Properties (continued)

The valuation of these properties amounted to: Group £116,413,000 and Foundation £111,045,000 (2005: Group £106,587,000 and Foundation £101,813,000).

Over the five year period to 30 September 2006, the portfolio has been valued on the basis of a rolling programme, with Cluttons, Chartered Surveyors carrying out the annual valuations up to 30 September 2004. The valuers inspect 20% of the properties each year and take account of information provided by the Foundation in order to update information they hold on the remainder of the portfolio since the last inspection so as to reach their conclusions.

Residential properties occupied under licence or shared equity arrangements were valued at 30 September 2005 on an open market basis by employees of the Foundation who are qualified as Chartered Surveyors. There were no such properties at 30 September 2006 (2005: 1 property at valuation of £21,000).

Short leasehold property is not revalued and is recorded at vested value less depreciation.

The original 'cost' of investment properties held at valuation comprises the value at which those properties held by the Foundation at 1 October 1995 were vested plus the cost of properties acquired since that date. The cost of these properties at 30 September 2006 was £60,826,000 (2005: £57,151,000).

13. Tangible Assets - Operational Assets

	Freehold property £'000	Plant & equipment subject to finance lease or hire purchase agreement £'000	Plant, equipment, machinery, vehicles and furniture £'000	Total £'000
Group				
Cost:				
At 30 September 2005	12,308	-	4,824	17,132
Additions	259	47	512	818
Transfers from properties held for sale/resale	(52)	-	-	(52)
Transfers on finance repayment	(327)	-	-	(327)
Disposals	(15)	-	(289)	(304)
At 30 September 2006	<u>12,173</u>	<u>47</u>	<u>5,047</u>	<u>17,267</u>
Depreciation:				
At 30 September 2005	840	-	3,624	4,464
Charge for the year	40	4	495	539
Transfers on finance repayment	(52)	-	-	(52)
Disposals	(24)	-	(289)	(313)
Impairment	-	-	8	8
At 30 September 2006	<u>804</u>	<u>4</u>	<u>3,838</u>	<u>4,646</u>
Net book value:				
At 30 September 2006	<u>11,369</u>	<u>43</u>	<u>1,209</u>	<u>12,621</u>
At 30 September 2005	<u>11,468</u>	<u>-</u>	<u>1,200</u>	<u>12,668</u>

Notes to the Accounts

at 30 September 2006

13. Tangible Assets - Operational Assets (continued)

	Freehold property £'000	Plant & equipment subject to finance lease or hire purchase agreement £'000	Plant equipment, machinery vehicles and furniture £'000	Total £'000
Foundation				
Cost:				
At 30 September 2005	9,297	-	2,625	11,922
Additions	259	47	468	774
Transfers from properties held for sale/resale	(52)	-	-	(52)
Transfers on finance repayment	(327)	-	-	(327)
Disposals	(15)	-	(22)	(37)
At 30 September 2006	<u>9,162</u>	<u>47</u>	<u>3,071</u>	<u>12,280</u>
Depreciation:				
At 30 September 2005	346	-	1,635	1,981
Charge for the year	38	4	408	450
Transfers on finance repayment	(52)	-	-	(52)
Disposals	(23)	-	(22)	(45)
At 30 September 2006	<u>309</u>	<u>4</u>	<u>2,021</u>	<u>2,334</u>
Net book value:				
At 30 September 2006	<u>8,853</u>	<u>43</u>	<u>1,050</u>	<u>9,946</u>
At 30 September 2005	<u>8,951</u>	<u>-</u>	<u>990</u>	<u>9,941</u>

The impairment of £8,000 relates to assets held within Broadway Cinema Limited which were reviewed for impairment during the year. This amount is reflected within 'Cinema expenditure' on the Consolidated Statement of Financial Activities.

14. Investments in Bonds

Group & Foundation	£'000
At 1st October 2005	-
Additions	10,258
Net losses	(142)
At 30 September 2006	<u>10,116</u>

This investment is in a bond fund administered by UBS, and is held at market value. Interest receivable of £378,000 (2005: £nil) was earned on this investment while unrealised losses of £142,000 (2005: £nil) have also been recognised as a result of movement during the year in the market valuation of the bonds.

Notes to the Accounts

at 30 September 2006

15. Other Investments

Group	£'000
Other fixed asset investments	
Cost: At 30 September 2005 and 30 September 2006	<u>30</u>
Amount provided: At 30 September 2005 and 30 September 2006	<u>20</u>
Net book value: At 30 September 2005 and 30 September 2006	<u><u>10</u></u>

Foundation	Subsidiary undertakings £'000	Other investments £'000	Total £'000
Cost:			
At 30 September 2005	4,115	10	4,125
Additions during the year	<u>-</u>	<u>-</u>	<u>-</u>
At 30 September 2006	<u>4,115</u>	<u>10</u>	<u>4,125</u>
Amount provided:			
At 30 September 2005	2,200	-	2,200
Provided/(released) during the year	<u>-</u>	<u>-</u>	<u>-</u>
At 30 September 2006	<u>2,200</u>	<u>-</u>	<u>2,200</u>
Net book value:			
At 30 September 2006	<u>1,915</u>	<u>10</u>	<u>1,925</u>
At 30 September 2005	<u>1,915</u>	<u>10</u>	<u>1,925</u>

During the year ended 30 September 2005, the Foundation's long term loan to Letchworth Garden City Services Limited of £1,800,000 was converted into share capital in that company. The Foundation's investment in that company was reviewed for impairment and a provision of £2,200,000 was made to reflect the underlying net assets of this company which ceased to trade during the year.

Details of the principal investments in which the group holds more than 10% of the nominal value in any class of share capital are as follows:

Subsidiary undertakings	Holding	Proportion of shares held	Voting rights	Nature of business
Letchworth Cottages and Buildings Ltd	Ordinary shares	10%	100%	Charitable housing association
Letchworth Garden City Farms Ltd	Ordinary shares	100%	100%	Farming
Letchworth Garden City Services Ltd	Ordinary shares	100%	100%	Non-trading
Broadway Cinema Ltd	Ordinary shares	90%	90%	Cinema operator
Garden City Technologies Ltd	A Ordinary shares	100%	100%	Data Communications
	B Ordinary Shares	100%	None	

All are held by the Foundation except Broadway Cinema Ltd which are held by Letchworth Garden City Services Ltd. Letchworth Cottages and Buildings Ltd is a charitable housing association registered under the Industrial and Provident Societies Act 1965. No part of the accumulated reserves can be attributable to its share capital and its income and net assets constitute a Restricted Fund within the Group Accounts of the Foundation.

Notes to the Accounts

at 30 September 2006

16. Stocks

	Group		Foundation	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Farm stocks	562	537	-	-
Estate stocks	4	15	4	3
Retail stocks	25	30	14	21
	<u>591</u>	<u>582</u>	<u>18</u>	<u>24</u>

17. Debtors

	Group		Foundation	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Trade debtors	1,318	1,213	1,302	1,197
Amounts owed by subsidiary undertakings	-	-	273	273
Other debtors	276	197	14	30
Prepayments and accrued income	953	783	725	627
	<u>2,547</u>	<u>2,193</u>	<u>2,314</u>	<u>2,127</u>

18. Loans

	Group		Foundation	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Due within one year:				
Loans to staff	35	29	35	29
Loans to individuals and local organisations	8	57	8	57
Loans relating to leasehold enfranchisement	1	1	1	1
	<u>44</u>	<u>87</u>	<u>44</u>	<u>87</u>
Due after one year:				
Loans to staff	32	34	32	34
Loans to individuals and local organisations	87	32	87	32
Loans relating to leasehold enfranchisement	485	493	485	493
Loans to subsidiary undertakings	-	-	50	50
	<u>604</u>	<u>559</u>	<u>654</u>	<u>609</u>

Loans relating to leasehold enfranchisement

The loans have been granted in accordance with a scheme to assist qualifying residential lessees to acquire the freehold interest in their property. The amounts outstanding include accrued interest and are secured by mortgage on the freehold interest concerned.

19. Creditors

	Group		Foundation	
	2006	2005	2006	2005
	£'000	£'000	£'000	£'000
Amounts falling due within one year:				
Bank Overdraft	9	-	-	-
Finance leases and hire purchase	9	-	9	-
Trade creditors	837	550	607	459
Taxes and social security	289	243	277	245
Other creditors	193	260	192	210
Accruals and deferred income	2,712	2,772	2,595	2,681
Grants payable	321	305	253	305
	<u>4,370</u>	<u>4,130</u>	<u>3,933</u>	<u>3,900</u>

Notes to the Accounts

at 30 September 2006

19. Creditors (continued)

	Group		Foundation	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Amounts falling due after more than one year:				
Bank loans	-	7,000	-	7,000
Deposits held in respect of licences to occupy residential properties	47	47	47	47
Finance leases and hire purchase	40	-	40	-
	<u>87</u>	<u>7,047</u>	<u>87</u>	<u>7,047</u>

Bank loan

The loan on investment properties which was repaid in full in October 2005 was secured on property valued at 30 September 2005 at £22,220,000. Interest was payable on the outstanding balance, at an interest rate of 0.95% above the base rate.

Deposits

Deposits held in respect of licences to occupy residential properties are repayable to outgoing licencees together with a proportion of the capital appreciation during the period of occupation based on the open market value of the property at the time of vacating.

	Group		Foundation	
	2006 £'000	2005 £'000	2006 £'000	2005 £'000
Bank and Other Loans				
Amounts falling due:				
between two and five years	-	2,800	-	2,800
in five years or more	-	4,200	-	4,200
	<u>-</u>	<u>7,000</u>	<u>-</u>	<u>7,000</u>

Finance Leases and Hire Purchase

Maturity of these amounts is as follows:

Amounts payable:

within one year	9	-	9	-
within two to five years	40	-	40	-
	<u>49</u>	<u>-</u>	<u>49</u>	<u>-</u>
Less: finance charges allocated to future periods	(5)	-	(5)	-
	<u>44</u>	<u>-</u>	<u>44</u>	<u>-</u>

Finance leases are analysed as follows:

Current obligations	8	-	8	-
Non-current obligations	36	-	36	-
	<u>44</u>	<u>-</u>	<u>44</u>	<u>-</u>

Notes to the Accounts

at 30 September 2006

19. Creditors (continued)

Reconciliation between the changes in cash and the change in (net debt)/cash funds	2006 £'000	2005 £'000
(Decrease)/Increase in cash	(17,939)	20,423
Cash outflow from change in liquid resources	(357)	320
Cash outflow from repayment of loans	7,000	19
Cash outflow from repayments of finance leases	3	111
Change in net debt resulting from cash flows	<u>(11,293)</u>	<u>20,873</u>
New finance leases	(47)	-
Movement in net debt in the year	<u>(11,340)</u>	<u>20,873</u>
Net cash funds (net debt) at start of the year	<u>22,747</u>	<u>1,874</u>
Net cash funds (net debt) at end of the year	<u><u>11,407</u></u>	<u><u>22,747</u></u>

20. Commitments to Pension Fund

Defined Benefit Scheme

The Foundation is a member of the Small Admitted Bodies pool of the Hertfordshire County Council Pension Fund. This scheme provides benefits based on pensionable earnings near retirement. The assets of the scheme are held separately from those of the Foundation. The pension cost for the scheme is determined by a qualified actuary on the basis of periodical valuations. The cost is charged to the Consolidated Statement of Financial Activities.

The most recent valuation was carried out as at 31 March 2004 using the projected unit method. The scheme's assets were taken into account at their full market value at the valuation date. The valuation revealed a shortfall of assets compared to the past service liabilities.

The Foundation fully adopted FRS 17 from 1 October 2004.

The full valuation of the scheme was undertaken as at 31 March 2004 and updated by a qualified independent actuary to 30 September 2004, 30 September 2005 and 30 September 2006 on a basis appropriate to FRS17. The major assumptions used by the actuary for the FRS17 calculations were as follows:

	30 September 2006	30 September 2005	30 September 2004
Rate of increase in salaries	4.5% per annum	4.4% per annum	4.4% per annum
Limited price indexation pension increases	3.0% per annum	2.9% per annum	2.9% per annum
Discount rate	5.0% per annum	5.0% per annum	5.5% per annum
Inflation assumption	3.0% per annum	2.9% per annum	2.9% per annum

Notes to the Accounts

at 30 September 2006

20. Commitments to Pension Fund (continued)

The assets of the whole of the Hertfordshire County Council Pension Fund are invested with a number of fund managers. The fair value of the assets held by the whole of the Hertfordshire County Council Pension Fund and the expected rates assumed are as follows:

	Value at 30 September 2006 £'000	Expected rate of return for year starting 30 September 2006 % per annum	Value at 30 September 2005 £'000	Expected rate of return for year starting 30 September 2005 % per annum	Value at 30 September 2004 £'000	Expected rate of return for year starting 30 September 2004 % per annum
Equities	1,461,000	7.6	1,259,000	7.3	1,004,000	7.7
Bonds	270,000	4.6	227,000	4.6	188,000	5.1
Property	117,000	5.6	98,000	5.5	89,000	6.5
Cash	130,000	4.7	137,000	4.5	109,000	4.8
Total	<u>1,978,000</u>		<u>1,721,000</u>		<u>1,390,000</u>	

Based on an estimate of the value of the asset share in respect of Letchworth Garden City Heritage Foundation, the funding position as at 30 September 2005 and 30 September 2006 was as follows:

	2006 £000	2005 £000
Estimated employer assets	10,792	9,329
Present value of share of scheme liabilities	*(12,539)	*(11,295)
Net pension liability	<u>(1,747)</u>	<u>(1,966)</u>

* This figure includes an amount of £185,000 (2005: £186,000) in respect of unfunded liabilities.

Analysis of the amounts charged to net incoming resources for the years to 30 September 2006 and 30 September 2005:

	£'000	£'000
Current service cost	462	323
Past service cost	–	–
Total operating charge	<u>462</u>	<u>323</u>

Analysis of the amounts credited to net incoming resources for the years to 30 September 2006 and 30 September 2005:

	£'000	£'000
Expected return on scheme assets	626	474
Interest on scheme liabilities	(572)	(557)
Net return	<u>54</u>	<u>(83)</u>

Analysis of the amounts recognised as other recognised gains and losses in the Statement of Financial Activities for the years to 30 September 2006 and 30 September 2005 are as follows:

	£'000	£'000
Actual return less expected return on scheme assets	577	586
Experience gains and losses on scheme liabilities	(202)	(19)
Changes in assumptions underlying present value of scheme liabilities	(193)	(818)
Actuarial (loss) recognised in statement of recognised gains and losses	<u>182</u>	<u>(251)</u>

Notes to the Accounts

at 30 September 2006

20. Commitments to Pension Fund (continued)

	2006	2005
	£'000	£'000
Movement in deficit during the years to 30 September 2006 and 30 September 2005:		
(Deficit) in scheme at beginning of the year	(1,966)	(3,411)
Current service cost	(462)	(323)
Contributions	431	2,088
Contributions - in respect of unfunded benefits	14	14
Other finance income	54	(83)
Actuarial gain/(loss)	182	(251)
	<u>(1,747)</u>	<u>(1,966)</u>

During the year ended 30 September 2005, following the adoption of FRS17, the Foundation made a lump sum repayment of £1,750,000 to the pension scheme to reduce the deficit.

	2006	2005
	£'000	£'000
Capital funds as at 30 September 2006:		
Capital funds excluding pension liability	160,028	142,390
Pension deficit	(1,747)	(1,966)
Capital funds	<u>158,281</u>	<u>140,424</u>

History of experience gains and losses:

	2006	2005	2004	2003	2002
Difference between expected and actual return on scheme assets					
Amount (£000)	577	586	100	378	(762)
Percentage of scheme assets	5.3%	6.3%	1.5%	6.4%	(15.3%)
Experience gain and losses on scheme liabilities					
Amount (£000)	(202)	(19)	-	(289)	323
Percentage of present value of liabilities	(1.5%)	(0.2%)	0.0%	(3.1%)	4.3%
Total amount recognised in the statement of total recognised gains and losses					
Amount (£000)	182	(251)	(72)	596	(863)
Percentage of scheme liabilities	1.5%	(2.2%)	(0.9%)	6.5%	(11.4%)

As a result of the actuarial valuation as at 31 March 2004, the Employer is making contributions to the scheme at the rate of 15.8% of pensionable pay for the year to 31 March 2007 and 15.4% of pensionable pay for the year to 31 March 2008.

Defined Contribution Scheme

The Foundation operates an additional defined contribution pension scheme for certain employees. The assets of this scheme are held separately from those of the Foundation and invested in assurance policies. The contributions to the defined contribution scheme are accounted for as they are payable and are not included within the above figures.

Notes to the Accounts

at 30 September 2006

21. Capital Funds

	Restricted Fund £'000	General Fund £'000	Total £'000
Group			
At 30 September 2005	9,839	130,585	140,424
Retained surplus/(deficit) for the year	(7)	1,557	1,550
Increase on revaluation	696	15,571	16,267
Actuarial gain/(loss) on pension scheme	-	182	182
Unrealised loss on bond investments	-	(142)	(142)
Balance at 30 September 2006	<u>10,528</u>	<u>147,753</u>	<u>158,281</u>
Foundation			
At 30 September 2005	-	128,272	128,272
Retained surplus for the year	-	1,559	1,559
Increase on revaluation	-	15,571	15,571
Actuarial gain/(loss) on pension scheme	-	182	182
Unrealised loss on bond investments	-	(142)	(142)
Balance at 30 September 2006	<u>-</u>	<u>145,442</u>	<u>145,442</u>

On appointment Governors are required to subscribe for a £1 Ordinary Share in the Foundation which is forfeited on their retirement and the subscription is taken to income. At 30 September 2006 there were 30 (2005: 29) shares in issue.

22. Analysis of Group Net Assets Between Funds

	Restricted Fund £'000	General Fund £'000	Total £'000
Fund Balances at 30 September 2006 are represented by:			
Tangible Fixed Assets			
Investment properties	5,367	120,059	125,426
Operational assets	-	12,621	12,621
In course of construction	14	1,057	1,071
Investments	-	10,126	10,126
Current assets	5,232	10,058	15,290
Current liabilities	(85)	(4,285)	(4,370)
Creditors due after one year	-	(87)	(87)
Provision for pension payments	-	(1,747)	(1,747)
	<u>10,528</u>	<u>147,802</u>	<u>158,330</u>
Less: Minority interests	-	(49)	(49)
	<u>10,528</u>	<u>147,753</u>	<u>158,281</u>
The above figures include unrealised gains on investment properties as follows:			
Unrealised gains at 30 September 2005	4,381	44,839	49,220
Net surplus arising on revaluations in the year	696	15,571	16,267
Realised on disposals in the year	(97)	(1,088)	(1,185)
Unrealised gains at 30 September 2006	<u>4,980</u>	<u>59,322</u>	<u>64,302</u>

Notes to the Accounts

at 30 September 2006

23. Financial Commitments

Authorised capital expenditure not provided for in these accounts for the Group and for the Foundation for which contracts have been placed is as follows:

	2006 £'000	2005 £'000
Group and Foundation		
Erection, purchase and redevelopment of premises	3,006	508

Annual commitments under non-cancellable operating leases are as follows:

Group and Foundation

Land and building leases expiring:

Within one year	-	2
Within two to five years	106	106
In over five years	158	156
	<u>264</u>	<u>264</u>

24. Reconciliation of Net Incoming Resources to Net Cash Inflow from Operating Activities

	2006 £'000	2005 £'000
Net (outgoing)/incoming resources for the year	729	(48)
Interest payable	60	478
Interest receivable and other non-property investment income	(1,051)	(517)
Depreciation	554	615
(Profit)/loss on disposal of operational fixed assets	(5)	(4)
Impairment of operational fixed assets	8	326
Reduction in provision against investment	-	(3)
(Decrease)/increase in stocks	(9)	41
Increase/(decrease) in debtors	(278)	(245)
(Decrease)/increase in creditors	412	158
Pension fund liability	17	(29)
Exceptional pension fund deficit repayment	-	(1,750)
Decrease in minority interest	(1)	(92)
Net cash (outflow)/inflow from operating activities	<u>436</u>	<u>(1,070)</u>

25. Analysis of Changes in Net Cash Funds/(Net Debt)

	At 1.10.05 £'000	Cash flow £'000	Other non-cash changes £'000	At 30.09.06 £'000
Cash at bank and in hand	24,690	(17,939)	-	6,751
	<u>24,690</u>	<u>(17,939)</u>	-	<u>6,751</u>
Money market deposits	5,057	(357)	-	4,700
Long term bank loan	(7,000)	7,000	-	-
Finance leases	-	3	(47)	(44)
Net cash funds	<u>22,747</u>	<u>(11,293)</u>	<u>(47)</u>	<u>11,407</u>

Non cash transactions

During the year, the group entered into finance lease arrangements in respect of assets with a total capital value at the inception of the lease of £47,000 (2005: £nil).

Letchworth Garden City Heritage Foundation

Broadway Cinema Ltd

Eastcheap
Letchworth Garden City
Herts SG6 3DD
01462 681300
www.broadway-cinema.com

Ernest Gardiner Day Hospital

Pearsall Close
off Pixmore Avenue
Letchworth Garden City
Herts SG6 1QX
01462 670955

First Garden City Heritage Museum

296 Norton Way South
Letchworth Garden City
Herts SG6 1SU
01462 482710

Garden City Technologies Ltd

Suite 401
The Spirella Building
Bridge Road
Letchworth Garden City
Herts SG6 4ET
01462 476690

Heritage Foundation Minibus Service

Manor Farm, Willian
Letchworth Garden City
Herts SG6 2AH
01462 481131

Letchworth Garden City Farms Ltd

Manor Farm, Willian
Letchworth Garden City
Herts SG6 2AH
01462 683975

Letchworth Cottages & Buildings Ltd

Suite 401
The Spirella Building
Bridge Road
Letchworth Garden City
Herts SG6 4ET
01462 476000

Letchworth Garden City Services Ltd

Suite 401
The Spirella Building
Bridge Road
Letchworth Garden City
Herts SG6 4ET
01462 476000

Letchworth Garden City Tourist Information Centre

33-35 Station Road
Letchworth Garden City
Herts SG6 3BB
01462 487868

Plinston Hall

Broadway
Letchworth Garden City
Herts SG6 3NX
01462 672003

Spirella Ballroom

The Spirella Building
Bridge Road
Letchworth Garden City
Herts SG6 4ET
01462 6720003

Standalone Farm

Wilbury Road
Letchworth Garden City
Herts SG6 4JN
01462 686775

**Letchworth Garden City
Heritage Foundation**

Suite 401

The Spirella Building

Bridge Road

Letchworth Garden City

Herts SG6 4ET

01462 476000

Email: info@lgchf.com

www.lgchf.com



Letchworth Garden City Heritage Foundation

Suite 401
The Spirella Building
Bridge Road
Letchworth Garden City
Herts SG6 4ET

T : 01462 476000

F : 01462 476050

info@lgchf.com

www.lgchf.com