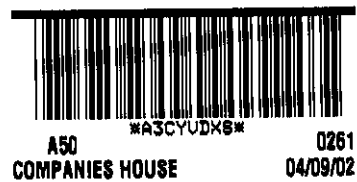


Registration number 37818

**The National Sheep Association
A Company Limited By Guarantee**

Financial statements

for the year ended 31 December 2001



**The National Sheep Association
A Company Limited By Guarantee**

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**The National Sheep Association
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**Trustees Report
for the year ended 31 December 2001**

The full name of the organisation is 'The National Sheep Association'. It is governed by a Memorandum and Articles of Association and was incorporated in December 1982. This has been varied from time to time, the latest occasion being on 26th May 1988. It is registered as a Private Company Limited by Guarantee without Share Capital. Its Company Registration number is 37818. Its Charity Registration number is 249255.

The Trustees of the Charity are the officers of the Association. These are The President, Lord Plumb; The Chairman, Mr D Smith; and the Honorary Treasurer, Mr Wm Wearmouth. President and Hon. Treasurer are elected by membership. Chairman is elected by Council.

The Registered office is The Sheep Centre, Malvern, Worcestershire, WR13 6PH.

Lloyds Bank, Malvern are its bankers. Swatton Hughes and Co of Tring, Hertfordshire are its legal advisers. Critchleys of Witney, Oxfordshire are its auditors and principal financial advisers.

The key objective of The Association, under the terms of the Memorandum, is fundamentally 'to encourage and improve breeding, management and promotion of the sheep as a species and as an industry in the United Kingdom and elsewhere'.

In the furtherance of this relatively wide basic objective it takes a broad interpretation of 'promotion of the industry' to encompass the setting up of private and public dialogue with organisations whose vested interests might impinge beneficially or adversely on the sheep industry. To this extent it engages in discussion with welfarists, conservationists and environmentalists. It is also involved on a regular basis in informing Government and non Governmental organisations, both National and European, of the effect of their policies on the ability of the industry to thrive and is the source of a collective National view on practical issues affecting the sheep industry.

There have been no material changes in the Association's pursuance of its objectives.

The objects of the Association specifically preclude its involvement in the regulation of relations between workers and employers or organisations or workers and organisations of employees. Under Sections 4 and 5, the Memorandum sets out rules for the way in which the Association deals with its income and property and is reproduced as follows:-

- "4. The income and property of the Association shall be applied solely towards the promotion of its objects as set forth in the Memorandum of Association and no portion thereof shall be paid or transferred, directly or indirectly, by way of dividend, bonus or otherwise howsoever by way of profit, to members of the Association and no members of its Council of Management or Governing Body shall be appointed by any office of the Association paid by salary or fees or receive any remuneration or other benefit in money or money's worth from the Association.

Provided that nothing herein shall prevent any payment in good faith by the Association;

- (a). of reasonable and proper remuneration of any member, officer or servant of the Association not being a member of its Council of Management or Governing Body for any services rendered to the Association;
- (b). of interest on money lent by any member of the Association or of its Council of Management or Governing Body at a rate per annum not exceeding 2 percent less than the minimum lending rate prescribed for the time being by the Bank of England, or 3 percent whichever is the greater;
- (c). of reasonable and proper rent for premises demised or let by any member of the Association or of its Council of Management or Governing Body;
- (d). of fees, remuneration or other benefit in money or money's worth to a company of which a member of the Council of Management or Governing Body may be a member holding not more than 1/100th part of the capital of the Association.

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- (e). to any member of its Council of Management or Governing Body for out-of-pocket expenses.
5. If any member of the Association pay or receives any Dividend, Bonus or other profit in contravention of the terms of the fourth Paragraph of this Memorandum, his liability shall be unlimited."

The Trustees confirm that the major risks to which the charity is exposed, as identified by the trustees, have been reviewed and systems have been established to mitigate those risks.

The level of free reserves held by the Association at the year end amounted to £193,965 of which £176,720 was represented by cash. The majority of this is held in the regions and ram sales accounts and is the equivalent of approximately 20 months of expenditure (not including expenses directly associated with the events). Reserves held in head office are sufficient to cover one month's salary costs and this is felt to be sufficient as the major costs incurred here are covered by the subscriptions income which is relatively secure. The Trustees believe that ideally the reserves in the regions and ram sales should be equivalent to 24 months of expenditure (as above) as this is the period between the major fund raising events where the income is generated. They are, however, mindful that with the problems faced by the industry over the last 12 months as outlined below, the ideal level will not be attained quickly. The Trustees are comfortable that the overall level of free reserves is appropriate to the Association's circumstances at present.

The Trustees feel that the most appropriate investment for the liquid assets of the association is to use a deposit account in order to ensure accessibility.

Issues of the Year

2001 was dominated by the Foot and Mouth outbreak. It was to have enormous consequences for the industry, both in terms of quantity and quality of livestock slaughtered and in legislative burdens. The effect on people, their families and entire communities could only be adequately described as catastrophic. It will need all the strength of purpose and resolve, inherent in sheep farmers and its organisation to get the industry into a state which will allow it to play a proper part in the entire future of farming and its allied environmental and landscape nurturing objectives.

In January 2001 NSA was still very concerned about the general, low morale of the sheep industry and the apparent lack of understanding of how the sheep industry operated in UK – its critical balance and inter-relation of lowland, hill and upland. Many producers were still leaving the industry on a large scale particularly from low land farms where there was an alternative to keeping sheep. This exodus continued to affect hill and upland producers through lack of demand for breeding ewes and store sheep. Reducing income resulted in less employment; loss of shepherds. This together with increased paper work meant longer working hours for those who remained.

On 24th February Foot and Mouth Disease was declared in UK. However it should be noted that there were many rumours after it had been declared that the disease was likely to have been in UK for some months previously.

During the critical few days in February before there was a complete ban on the movement of livestock in UK there had already been a ban on moving livestock to the continent. This time gap allowed a large quantity of contact sheep to be moved around the UK as traders tried to find alternative outlets. The resultant disease spread caused the finger of blame for the apparent quick and wide spread of the disease to be pointed at the sheep industry.

There was much discussion in the early stages of the disease as to whether or not a vaccination policy should be used. NSA, working in tandem with the Sheep Veterinary Society, consulted the acknowledged world expert on FMD at Pirbright Laboratories regarding this and was advised that vaccination was not the best way forward for important technical and scientific reasons. It was acknowledged at this time that pigs were the most effective means of spreading FMD, cattle next with sheep by far the least effective species – there is much documentation regarding this.

Strict bio-security measures were in place which although necessary was another cost to producers who often had insufficient funds to spend on feed for their livestock. In addition to the disease being spread directly by animal to animal it was also being spread from animal, by person and vehicles, to animals and could be traced in many instances to where inspectors had visited flocks without observing strict bio-security procedures

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**Trustees Report
for the year ended 31 December 2001**

Available documentation also reports the numbers of sheep slaughtered but without the Public Enquiry which many people wanted there is less documentation regarding the anguish and loss felt by many producers at the time.

This loss was at least three-fold. It was a loss to the UK sheep industry of many unique breeding lines; the loss of life-times work of selection, breeding and devotion; a loss to conservation and the environment of many thousands of hefted sheep. This loss was compounded by the fact that some of the slaughtering was considered to be unnecessary and has since proven to be the case. NSA received many telephone calls of pleas for help during this time – where the rule book was being used rather than common sense. The many cases of ineptitude by those carrying out the slaughter contributed to the distress of those involved. The ‘politically correct’ term which was used for the slaughter was ‘culling’ which to the general public probably sounded more acceptable.

Due to the ban on movement of livestock and of many producers NSA instigated regular telephone meetings, two or three a week at times, to enable people to keep in touch and hear, first hand, what was happening in other areas. In addition to the trauma of the slaughtering was the disposal – in many cases carcasses were left for days before being burnt or removed.

Those who had their sheep slaughtered through disease or through ‘dangerous contacts’; the ‘contiguous cull’ (slaughtering “neighbouring” sheep); or the ‘10 kilometre or 3 kilometre fire break’ had one set of problems: slaughter, restriction of movement, etc and eventually the ‘cleansing and dis-infection’ requirements. These requirements are also documented but not the problems experienced by those farmers trying to work to a ‘contract’ they had little choice but to enter.

Those who did not have sheep slaughtered due to foot and mouth had other, dreadful problems. In some ways worse problems as they were not allowed to move their ewes back to the usual lambing quarters. In February many ewes were still away for the winter, allowing the home farm to have good, clean forage ready for them and their lambs but with movement restrictions it was not possible to move the ewes back. As the weeks went by there was less grazing available for the ewes. The cold and wet in many areas exacerbated the problems. At this time many more ewes and their unborn lambs were slaughtered on welfare grounds through lack of food or field conditions. Many other ewes that could not be moved to lambing sheds, lambed in muddy fields in the most atrocious conditions. The situation was heart-breaking for many producers as they saw their stock suffering due to movement restrictions when it was only necessary in many cases to move the ewes and lambs across one road. The rules and paper work added to the difficulties as practical needs had to be dealt with by paper and bureaucracy.

From the outset of the disease MAFF and then DEFRA (from mid-Jun) held weekly ‘stakeholder’ meetings to keep industry updated on the situation.

The introduction of the ‘20 day standstill’ created enormous difficulties for an industry reliant on moving stock – for management purposes as well as for selling finished lambs and store lambs; buying and selling breeding stock. NSA put verbal and written representation to DEFRA regarding the constriction of the system and was also instrumental in setting up the Lord Plumb Committee which comprised 12 industry organisations – all of whom were adamant about the extremely negative effect the rule would have on the livestock industry generally and the sheep industry in particular.

The many requirements of the sheep industry was reflected in the number of rules that needed to be introduced, for example shearing (different zones depending on level of infection); treatment for scab; identification; cleansing and disinfection of vehicles before and after moving stock. The movement restrictions although understandable during the main occurrence of the disease continued to make sheep farming difficult throughout the year, making autumn sales especially difficult.

The loss of livestock auction markets as a means of trading meant there was no transparent pricing mechanism. Many producers were disenchanted by the meat industry because once livestock had been transported to the abattoir they could not be returned to the farm if the price was not right. Meat wholesalers were therefore in a position of controlling price – noted that these prices were consistently and considerably lower than in other years.

The movement restrictions still in place in the Autumn prevented the ‘autumn sales’, from taking place – clearly a critical time in the breeding year.

Re-stocking, as permitted, was extremely difficult due to lack of stock for sale and movement restrictions.

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**Trustees Report
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It became increasingly clear that those who did not lose stock to FMD were in a seriously disadvantaged financial position. There were additional costs of feeding stock; frequent inspection and vehicle cleansing costs; low returns and the sheer difficulty of trying to farm and care for the welfare of stock in the most difficult of situations.

The last case of Foot and Mouth was dealt with in September but of course at that time it was not known that it was to have been the last case and strict bio-security measures; restricted movement and licence requirements remained in place.

By the end of the year it was hoped that UK was free of Foot and Mouth but it was still necessary to be cautious and vigilant. The disease was difficult to detect in sheep and Government was concerned that the disease may still be in the sheep flock. However it was known that if a ewe had the disease at lambing time then it would show clearer symptoms of the disease at this time, Government therefore said rules would need to remain in place until after lambing in 2002.

Membership subscription

In June it was agreed by Council that due to the reduction in sheep farmers and the increasing work load of the Association it would be necessary to increase the subscription again by £5.00 at 1st January 2002 to £35.00.

Reform of the Sheepmeat Regime

This was under discussion during July and August. Noted that Government wanted to see greater sheep output from the lowlands but for this to happen, in addition to better end prices, there needed to be a clear message of support and greater understanding from Government towards farming. Government seemed to be more supportive of environmental lobby groups etc without acknowledging the positive role played by agriculture in achieving these aims.

Identification

Tags / Electronic Identification. Whereas there had been a great deal of discussion during the year little progress had been made.

Transmissible Spongiform Encephalopathies (TSEs)

In addition to the difficulties of Foot and Mouth Disease the industry had also been living under the threat of a complete slaughter of the UK flock if ongoing tests on 'sheep's' brains had proven positive for Bovine Spongiform Encephalopathy (BSE) – ie the spongiform encephalopathy previously found in cattle brains. The testing was being conducted by the Institute for Animal Health.

An announcement had been expected on 19th October regarding the testing on 'sheep's' brains for BSE. Previous announcements had suggested that BSE had been found with the threat of the complete slaughter of the national flock. However on 17th October NSA had been informed by DEFRA that the testing had not been on sheep's brains – all of the samples were of cattle brains. Over the years there had been doubt expressed that the samples were not pure (ie that there had been sheep's brains and cattle brains in close proximity) but a DNA test had not been carried out at that time. Pressure had then been put on the Institute of Animal Health by NSA via Meat and Livestock

Commission and the Food Standards Agency to conduct the DNA test to prove species. It was only as a result of this test that the error was proven. There had been widespread concern throughout the industry for what was too nearly absolute disaster for the UK sheep industry. There was also anger at the effect on market prices over the previous weeks/months as wholesalers did not want to be left with numbers of sheep if the announcement was made that UK sheep were unsafe. This scare attitude had affected prices in the past.

Other Health Aspects

Scrapie: The National Scrapie Plan had been launched to encourage breeders to genotype for selection of scrapie resistant strains. Due to Foot and Mouth the uptake had been slow and the plan would be re-launched.

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Sheep scab remained at a high level with the choice of treatments being dipping or injectables. Whereas sheep needed to be treated and dipping was the most effective method as it provided longer protection the disposal of the dip solution created an environmental problem as did the residue in the fleece; the injectable methods killed the mites on the sheep but did not offer protection from re-infestation eg from fences, grazing, untreated sheep etc.

Farm Assurance

Although the need for farm assurance schemes was understood some producers felt there was little or no financial benefit in being a member.

Licensing of Farms

The subject of licensing of farms was considered by DEFRA. Whereas Council realised that this was prompted by some bad farming practices they felt that it was an unfair imposition on those who farmed well. There was also concern that if Licensing was introduced that it would introduce another tier of regulations and inspectors. There were few inspectors who understood farming and its practical limitations at times.

Environment and Conservation

Whereas many people argued that sheep caused damage to the environment, the role of sheep in grooming the countryside was apparent for all to see in the aftermath of Foot and Mouth. Without sheep many areas had become overgrown and impassable to wildlife and walkers alike. During the year NSA had instigated and supported the development of a report by Lesley Stubbings into the important role played by sheep in bringing fertility to the soil – the report had been paid for by MLC and it was unfortunate that the comprehensive report had not been made available at the end of the year.

Animal Health Bill

NSA did not object in principle to the need for an Animal Health Bill as the Animal Health Act of 1981 needed to be reviewed and updated to take into consideration changes which had taken place in that time. NSA did however feel that some measures within the Bill were excessive and these points were clearly made to Government.

Future prospects

Although 2001 had been a particularly dreadful year for UK's livestock industry due to Foot and Mouth, the additional difficulties of restrictive movement etc it had brought with it were also crippling to the industry. This together with continuing low returns and lack of understanding from practically every sector outside farming made it increasingly difficult for producers to feel positive about the industry. Many of those whose stock was slaughtered because of Foot and Mouth had chosen to leave farming.

The deep frustration felt throughout the industry that many people in positions of influence and authority did not understand the sheep industry exacerbated the situation.

The UK stratified sheep industry is complex – many farmers would only know the section with which they are involved. Having said this, the frustration was not caused by lack of understanding of the complex side but of the basic influences. Such influences as the seasonal nature of sheep rearing and the effects of variable weather on an animal which lived outside; the fact that sheep needed to be moved to their grazing; that grass growth depended on the weather and the south or north facing direction of a hill; sun and frost; longer growing seasons in the south than in the north.

To many farmers Foot and Mouth had been the final straw in a business which was increasingly difficult to run - with seemingly benefit for everyone else but farmers. Many of those in farming would be considered of retirement age in any other profession. Long hours, low financial return and endless bureaucracy did nothing to encourage the younger generation to remain in or join the farming industry. In any career of a vocational nature it was necessary for the vocational desire to be met primarily rather than secondarily. Statistics and the countryside clearly reflected there were less farmers.

This contracting situation should be of utmost concern to the Government, meat sellers, consumers, environmentalists and conservationists alike.

**The National Sheep Association
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**Trustees Report
for the year ended 31 December 2001**

Responses

FSA – Proposed Council / EP Regulations for General principles of Food Law, Establishing the European Food Authority and Matters of Food Safety; MAFF – Welfare of Animals during Transport; MAFF – Implementation of the outcome of 4th December 2000 Agricultural Council; National Assembly for Wales: Implementation of the new EU wide feed ban; FSA – Proposed changes in the Meat Hygiene Inspection Charging System and in the hourly MHS charge rate; MAFF – Proposal to pressure Cook any specified risk material deposited to landfill; MLC – Levy proposals; DETR – Environment Agency Financial, Management and Policy Review; English Nature – Classification to land to reflect the environmental value; MAFF – proposals to introduce a 20 day standstill; MAFF/ DEFRA – Reform of the Sheepmeat Regime; DEFRA – Agenda, Aims and Objectives; DEFRA – Consultation with rural stakeholders; DEFRA – Proposed system for numbers all important livestock; Policy Commission – the Future of Food and Farming; DEFRA – Animal Health Bill; DEFRA – FMD proposed restrictions on falconry and hunting with dogs in England and Wales; DEFRA – contingency plan in the event of naturally occurring BSE in sheep in the UK national flock.

The NSA George Hedley Memorial Award

The presentation of the 2000 award to Capt Nick Archdale had to be postponed until 2002 due to Foot and Mouth.

The winner of the 2001 NSA George Hedley Memorial Award was Mr David Raine. The award would be presented to him at a dinner in London in 2002.

Publicity and Events

Due to Foot and Mouth there were no NSA Regional shows or Ram Sales held during the year. Other summer agricultural shows were also cancelled.

The Sheep Farmer completed its fifth full year under Shepherd Publishing and continued to provide a technical journal for NSA members. The six bi-monthly issues were complemented with a Summer Focus, Forage Matters and Winter Focus. These were produced with support from commercial sponsorship.

Other Organisations

NSA continues to put the sheep farmer's point of view to many allied organisations and also to work with organisations not directly involved with the sheep industry with which seek to exert an influence on the sheep industry.

Executive Board and Council

There were three meetings of the Board (April meeting was cancelled due to Foot and Mouth) and four meetings of Council. Whereas the 'summer' meetings were usually held at The Sheep Centre, Malvern these were held in London to reduce likelihood of possible spread of disease. Telephone meetings were also used extensively.

Organisation, management and staff

Policies of the Association continued to be formed by the membership working either through the Regional Committees or else through Breed Societies.

The headquarters of the Association remains at Malvern.

Staff complement continues with John Thorley as Chief Executive; Chris Lloyd as Commercial Manager; Tony Cave-Penney as European specialist; Mags Barrow as Company Secretary; Barbara Chandler as Finance Secretary; Debbie Pollard took over from Jayne Askew as Membership Secretary; Dyana Webb (nee Loach) as Environment Secretary.

The Trustees take this opportunity to place on record their overwhelming thanks to all who have contributed in any way to National Sheep Association during such a difficult year. In particular to the many people who gave up their time free of charge to attend meetings and participate in the debate to maintain a sheep industry for the benefit of all who are involved.

**The National Sheep Association
A Company Limited by Guarantee**

**Trustees Report
for the year ended 31 December 2001**

Treasurer's Report

In my first year as Honorary Treasurer I have to report that expenditure exceeded income by £89,271. This was due mostly to reduced income generating activities in the regions together with additional expenditure incurred as a result of Foot and Mouth Disease.

One cannot give a financial report on the year without reference to Foot and Mouth. It caused a reduction in sheep farmers resulting in a reduction of NSA members, it curtailed the Association's ability to generate income, whilst adding greatly to the workload and expense of the organisation. The reduction in members will need to be corrected in the following year. In order to help correct the imbalance it was agreed by Council that the membership subscription should be increased from £30.00 to £35.00 per annum as from 1st January 2002.

Whilst the immediate future will be difficult I am confident with our dedicated staff at Malvern that we shall see NSA go from strength to strength.

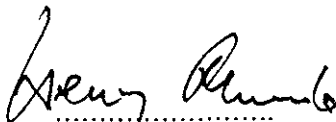
I would like to take this opportunity to thank the current members of Finance Committee for their diligent efforts during 2001 and for their assistance in my first year as Hon Treasurer. I conclude my report by thanking all staff at HQ for their unstinting efforts to make my role and that of the committee as straight forward as possible.

Mr Wm Weamouth
Honorary Secretary



This concludes The Trustees Report

21 August 2002



Lord Plumb
President



William Weamouth
Hon. Treasurer



David Smith
Chairman

**The National Sheep Association
A Company Limited By Guarantee**

**Statement of Council's Responsibilities
for the year ended 31 December 2001**

Company law requires the Council to prepare financial statements for each financial year which give a true and fair view of the state of the affairs of the Association and of the surplus or deficit of the Association for that year. In preparing these the Council is required to:

- select suitable accounting policies and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Association will continue in business.

The Council is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Association and to enable it to ensure that the financial statements comply with the Companies Act 1985. The Council is also responsible for safeguarding the assets of the Association and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

This report was approved by the Council on *21 August 2002* and signed on its behalf by

D. B. Smith

**D Smith
Chairman**

**The National Sheep Association
A Company Limited By Guarantee**

Independent auditors' report to the shareholders of The National Sheep Association

We have audited the financial statements of The National Sheep Association for the year ended 31 December 2001 which comprise the statement of financial activities the balance sheet and the related notes. These financial statements have been prepared under the historical cost convention and the accounting policies set out therein.

Respective responsibilities of the council and auditors

As described in the statement of council's responsibilities the council is responsible for the preparation of the financial statements in accordance with applicable law and United Kingdom Accounting Standards.

Our responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements and United Kingdom Auditing Standards.

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the trustees report is not consistent with the financial statements, if the association has not kept proper accounting records, if we have not received all the information and explanations we require for our audit, or if information specified by law regarding trustees' remuneration and transactions with the association is not disclosed.

We read the trustees report and consider the implications for our report if we become aware of any apparent misstatements within it.

Basis of audit opinion

We conducted our audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the financial statements. It also includes an assessment of the significant estimates and judgements made by the council in the preparation of the financial statements, and of whether the accounting policies are appropriate to the association's circumstances, consistently applied and adequately disclosed.

We planned our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the financial statements.

Opinion

In our opinion the financial statements give a true and fair view of the state of the association's affairs as at 31 December 2001 and of its deficit for the year then ended and have been properly prepared in accordance with the Companies Act 1985.

Critchleys.
Critchleys
Chartered Accountants
Registered auditors

37 Market Square
Witney
Oxon
OX28 6RE

2 September 2002

**The National Sheep Association
A Company Limited By Guarantee**

**Statement Of Financial Activities
for the year ended 31 December 2001**

Note	Unrestricted Funds		Total 2001	Total 2000
	Headquarters	Regions & Ram Sales		
	£ (a)	£ (b)	£	£
<u>Incoming resources</u>				
Voluntary				
Subscriptions	265,403	0	265,403	239,321
Donations	5,070	0	5,070	0
Sponsorship	4,012	2,219	6,231	19,941
Charitable activities				
Promotional events and activities	29,142	5,348	34,490	250,477
Other activities for generating funds	4,448	0	4,448	14,335
Investment income	14,569	7,901	22,470	24,792
Other incoming resources	0	917	917	2,120
Total incoming resources	<u>322,644</u>	<u>16,385</u>	<u>339,029</u>	<u>550,986</u>
<u>Resources expended</u>				
Costs of generating funds	2,068	0	2,068	8,864
Net income available for charitable application	<u>320,576</u>	<u>16,385</u>	<u>336,961</u>	<u>542,122</u>
Charitable expenditure				
Charitable activities	115,061	19,914	134,975	298,382
Support costs	160,860	0	160,860	153,085
Management and administration	77,486	52,911	130,397	146,388
Total charitable expenditure	<u>353,407</u>	<u>72,825</u>	<u>426,232</u>	<u>597,855</u>
Total expenditure	<u>355,475</u>	<u>72,825</u>	<u>428,300</u>	<u>606,719</u>
Net movement in funds for the year	(32,831)	(56,440)	(89,271)	(55,733)
Funds brought forward at 1 January 2001	326,778	247,793	574,571	630,304
Funds carried forward at 31 December 2001	<u>293,947</u>	<u>191,353</u>	<u>485,300</u>	<u>574,571</u>

None of the Association's activities were acquired or discontinued during the above two years.
There were no recognised gains or losses in the year other than those noted above.

Notes (a) - Details on pages 6 and 7
(b) - Details on page 8

**The National Sheep Association
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**Balance sheet
as at 31 December 2001**

	Notes	2001 £	2000 £
Fixed assets			
Tangible assets	6	291,333	304,003
Investments	7	2	2
		<u>291,335</u>	<u>304,005</u>
Current assets			
Stocks	8	12,004	12,338
Debtors	9	37,257	35,606
Cash at bank and in hand	10	176,720	258,836
		<u>225,981</u>	<u>306,780</u>
Creditors: amounts falling due within one year	11	<u>(32,016)</u>	<u>(36,214)</u>
Net current assets		193,965	270,566
Net assets		<u>485,300</u>	<u>574,571</u>
Capital and reserves			
Headquarters' reserve	12	293,947	326,778
Regional and ram sales reserve	12	191,353	247,793
		<u>485,300</u>	<u>574,571</u>

The financial statements were approved by the Council on *21 August 2002* and signed on its behalf by

**D Smith
Chairman**

D. B. Smith

The notes on pages 9 to 13 form an integral part of these financial statements.

**The National Sheep Association
A Company Limited By Guarantee**

**Headquarters Income and Expenditure Account
for the year ended 31 December 2001**

	2001		2000	
	£	£	£	£
Voluntary				
Individual members subscriptions	261,543		235,521	
Breed and affiliated societies subscriptions	3,860		3,800	
Donations	5,070		-	
Sponsorship	4,012		7,750	
		274,485		247,071
Charitable activities				
Promotional income - events	29,142		41,458	
Events expenditure	(33,314)		(39,615)	
		(4,172)		1,843
Proceeds from Spring event	-		10,868	
Spring event expenses	-		(13,504)	
		-		(2,636)
Income from Sheep 2000		-		13,419
Other activities for generating funds				
Income from carcass units	1,798		6,413	
Carcass expenses	(1,467)		(5,094)	
		331		1,319
Income from British Sheep	824		3,368	
Production costs of British Sheep	153		(2,254)	
		977		1,114
Income from Sheep UK	6		9	
Sheep UK production costs	(1,045)		(154)	
		(1,039)		(145)
Sales of promotional items	440		294	
Costs of promotional items	291		(1,362)	
		731		(1,068)
Income from ATV		1,380		4,151
Investment income				
Rental income	9,905		10,100	
Bank interest	4,664		6,658	
		14,569		16,758
Miscellaneous income		-		2,054
		287,262		283,880
Other expenditure - Page 7		(320,093)		(303,131)
(Deficit) for the year		(32,831)		(19,251)

**The National Sheep Association
A Company Limited By Guarantee**

**Headquarters Schedule of Expenditure
for the year ended 31 December 2001**

	2001		2000	
	£	£	£	£
Charitable activities expenses				
Costs of Sheep Farmer	2,547		1,516	
Membership promotion	1,885		4,233	
Representation and public relations	43,472		29,653	
Conferences	2,170		1,701	
Travelling expenses and subsistence	25,705		30,263	
Committee rooms and refreshments	5,532		2,758	
Depreciation on carcass display units	436		544	
		81,747		70,668
Support costs				
Salaries	106,320		104,439	
Pension costs	4,823		5,248	
Awards and donations	2,788		3,418	
Advertising (including staff recruitment)	1,179		716	
Vehicle expenses	7,070		4,597	
Depreciation on freehold property	2,401		2,401	
Printing and stationery	5,614		7,715	
Telephone (including rental)	10,630		5,762	
Postage and dispatching	12,141		12,027	
Rates	1,713		1,753	
Insurance	6,181		5,009	
		160,860		153,085
Management and administration				
Salaries	36,048		36,178	
Pension costs	700		608	
Photocopying (including rental)	2,485		2,579	
General office expenses	8,085		5,047	
Depreciation on furniture and equipment	990		1,320	
Depreciation on computer	2,371		2,812	
(Profit)/loss on disposal of tangible assets	-		1,106	
Light and heat	2,170		3,123	
Property repairs at head office	8,758		13,223	
Professional fees	2,505		2,805	
Auditors remuneration	3,700		3,850	
Bank charges	2,473		3,195	
Profit/loss on exchange	53		-	
Bank interest paid	125		17	
Printing and stationery	624		857	
Telephone (including rental)	2,657		1,440	
Postage and dispatching	639		633	
Rates	923		944	
Insurance	2,286		1,853	
		77,486		79,378
		<u>320,093</u>		<u>303,131</u>

**The National Sheep Association
A Company Limited By Guarantee**

**Regions and Ram Sales Income and Expenses
For The Year Ended 31 December 2001**

	Scottish £	Scot Sheep £	Northern £	North Sheep £	Wales & Border £	Wales & Border Ram Sale £	South West £	South West Ram Sale £	South East £	Central £	Eastern £	Eastern Ram Sale £	Northern Ireland £	Total 2001 £	Total 2000 £
Incoming resources															
Voluntary															
Subscriptions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Donations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Sponsorship	0	0	0	0	500	300	0	0	0	0	0	0	1,419	2,219	12,191
Charitable activities															
Promotional events and activities	0	0	0	0	0	1,766	40	613	0	0	0	80	2,849	5,348	184,732
Other activities for generating funds	0	0	0	0	0	0	0	0	0	0	0	0	0	0	100
Investment income	561	0	1,903	0	86	4,002	155	1,058	47	0	88	1	0	7,901	8,034
Other incoming resources	0	0	0	0	0	35	0	847	0	35	0	0	0	917	66
Total incoming resources	561	0	1,903	0	586	6,103	195	2,518	47	35	88	81	4,268	16,385	205,123
Resources expended															
Charitable expenditure															
Charitable activities															
Event expenses and publicity	726	0	50	0	158	3,184	1,769	0	0	0	607	231	2,930	9,655	141,925
Motor, travel and haulage	0	0	1,932	0	0	0	0	0	0	0	0	0	0	1,932	5,985
Catering	0	0	0	0	0	0	0	0	0	0	0	0	0	0	800
Prizes	0	0	0	0	0	0	0	0	0	0	0	0	0	0	828
Donation	0	0	0	0	0	0	0	50	0	0	0	0	250	300	3,850
Sponsorship	0	0	0	0	20	0	0	0	0	0	0	0	0	20	2,680
First aid cover	0	0	0	0	0	0	0	0	0	0	0	0	0	0	142
Subscriptions	0	0	0	0	0	0	0	0	0	0	0	0	0	0	6,646
Depreciation	550	0	183	0	0	5,608	0	859	56	0	0	0	0	7,256	8,964
Miscellaneous	404	0	347	0	0	0	0	0	0	0	0	0	0	751	2,775
	1,680	0	2,512	0	178	8,792	1,769	909	56	0	607	231	3,180	19,914	174,595
Management and administration															
Secretary's fees	5,350	0	4,000	0	3,391	15,688	1,500	700	2,719	250	662	208	0	34,468	36,862
Office expenses	6,266	0	0	0	0	1,289	351	90	0	0	0	0	0	7,996	13,500
Meeting expenses	522	0	356	0	413	1,016	1,127	0	94	0	0	0	214	3,742	3,868
PP&S	0	0	865	0	630	422	0	0	244	0	130	0	0	2,291	6,096
Insurance	0	0	19	0	0	0	0	0	0	0	0	0	0	19	149
Telephone	0	0	154	0	0	1,186	0	0	0	0	0	0	0	1,340	1,520
Bank charges	5	0	33	0	183	106	1	0	0	0	0	0	91	419	490
VAT at HQ	843	0	0	0	0	0	0	0	0	0	0	0	0	843	2,102
Accountancy	0	0	295	0	160	350	450	85	150	53	0	0	250	1,793	2,423
	12,986	0	5,722	0	4,777	20,057	3,429	875	3,207	303	792	208	555	52,911	67,010
Total resources expended	14,666	0	8,234	0	4,955	28,849	5,198	1,784	3,263	303	1,399	439	3,735	72,825	241,605
Net movement in funds for the year	(14,105)	0	(6,331)	0	(4,369)	(22,746)	(5,003)	734	(3,216)	(268)	(1,311)	(358)	533	(56,440)	(36,482)

The National Sheep Association

Notes to the financial statements for the year ended 31 December 2001

1. Accounting policies

1.1. Accounting convention

The financial statements are prepared under the historical cost convention and in accordance with the Financial Reporting Standard for Smaller Entities (effective March 2000) and in accordance with applicable Accounting Standards and the Statement of Recommended Practice on Accounting by Charities.

After identifying all costs relating directly to the operations of the charity there remains costs which are incurred in connection with the management and administration of the charity. These include central management and administration costs, management of the charity's assets, organisational (as opposed to project) management and compliance with constitutional and statutory requirements. Such expenses are apportioned on a time spent basis and are identified under management and administration in the Statement of Financial Activities.

1.2. Tangible fixed assets and depreciation

Depreciation has been charged on freehold land and buildings at 1% straight line in order to comply with the Companies Act 1985 and Financial Reporting Standard 15.

Depreciation is provided on other tangible assets using the following bases and annual rates:

Hurdles	-	15% to 25%	-	reducing balance
Computer	-	25%	-	straight line
Furniture and equipment	-	10% to 25%	-	reducing balance
Display trailers	-	25%	-	reducing balance
Carcass display units	-	20%	-	reducing balance
Motor vehicles	-	25%	-	reducing balance
Show pavilions	-	5%	-	reducing balance

1.3. Investments

Fixed asset investments are stated at cost less provision for diminution in value.

1.4. Stock

Stock is valued at the lower of cost and net realisable value. Cost is computed on a first in first out basis.

1.5. Pensions

The pension costs charged in the financial statements represent the contribution payable by the association during the year.

2. Sponsorship income

Sponsorship monies were allocated to support the following:

1. Technical conferences and publications
2. Ram sales and ancillary equipment
3. Agricultural show stands and equipment

The National Sheep Association

Notes to the financial statements for the year ended 31 December 2001

3. Resources expended includes:	2001	2000
	£	£
Depreciation and other amounts written off tangible assets	6,198	7,077
Auditors' remuneration	3,700	3,850
Auditors' remuneration from non-audit work	2,505	2,805
	<u> </u>	<u> </u>

4. Employees

Number of employees

The average number employed by the association including directors, within each category of persons was:

	2001	2000
	Number	Number
Direct charitable	3	3
Management and administration	3	3
	<u> </u>	<u> </u>
	6	6

The costs incurred in respect of these employees were:

	2001	2000
	£	£
Direct charitable		
Wages and salaries	96,460	94,721
Social security costs	9,860	9,718
Other pension costs	4,823	5,248
Management and administration		
Wages and salaries	33,920	34,173
Social security costs	2,128	2,005
Other pension costs	700	608
	<u> </u>	<u> </u>
	147,891	146,473

The gross remuneration paid to the Chief Executive in the year was £50,000 (2000 - £50,000); no other employee earned £40,000 or more in the year. Pension contributions of £2,500 were paid on behalf of the Chief Executive in the year.

The directors of the association do not receive any remuneration.

5. Pension costs

The association operates a defined contribution pension scheme. The scheme and its assets are held by independent managers. The pension charge represents contributions due from the association and amounted to £5,523 (2000 - £5,856). There were contributions amounting to £329 outstanding at the balance sheet date (2000 - none). There were no contributions made on behalf of directors.

The National Sheep Association

Notes to the financial statements for the year ended 31 December 2001

6. Tangible fixed assets

	Freehold property £	Fixtures and fittings £	Hurdles £	Computer £	Display trailers £	Royal Welsh Pavilion £	Royal Show Pavilion £	Carcass units	Total £
Cost									
At 1 January 2001	240,069	39,016	83,465	44,609	8,653	54,430	31,614	20,283	522,139
Additions	-	-	-	1,910	-	-	-	-	1,910
Grant						(13,883)	(11,994)	-	(25,877)
At 31 December 2001	240,069	39,016	83,465	46,519	8,653	40,547	19,620	20,283	498,172
Depreciation									
At 1 January 2001	4,801	32,211	61,198	33,015	6,669	22,641	13,620	18,105	192,260
Charge for the year	2,401	1,427	4,994	3,376	496	1,149	300	436	14,579
At 31 December 2001	7,202	33,638	66,192	36,391	7,165	23,790	13,920	18,541	206,839
Net book values									
At 31 December 2001	232,867	5,378	17,273	10,128	1,488	16,757	5,700	1,742	291,333
At 31 December 2000	235,268	6,805	22,267	11,594	1,984	17,906	6,000	2,178	304,003

There was no capital expenditure contracted for at the year end (2000 - none).

Freehold property, furniture and computer equipment are used for both administration and direct charitable purposes. All other assets are used for direct charitable purposes only.

Freehold property is also partly used for investment purposes. Rental income of £9,905 (2000 - £10,100) was received in the year.

7. Fixed asset investments

	Subsidiary undertakings shares £	Total £
Cost		
At 1 January 2001		
At 31 December 2001	2	2
Net book values		
At 31 December 2001	2	2
At 31 December 2000	2	2

The Association owns 100% of the issued share capital of Sheeptime Limited, a company incorporated in England. Sheeptime Limited did not trade during the year.

The National Sheep Association

**Notes to the financial statements
for the year ended 31 December 2001**

8. Stocks	2001	2000
	£	£
Stocks held in regions and ram sales	2,018	1,973
Stocks of books and promotional items	9,986	10,365
	<u>12,004</u>	<u>12,338</u>
9. Debtors	2001	2000
	£	£
At headquarters		
Trade debtors	19,681	17,900
Other debtors and prepayments	15,351	12,777
At regions and ram sales		
Other debtors and prepayments	2,225	4,929
	<u>37,257</u>	<u>35,606</u>
10. Cash at bank and in hand	2001	2000
	£	£
At headquarters	8,337	42,618
At regions and ram sales	168,383	216,218
	<u>176,720</u>	<u>258,836</u>
11. Creditors: amounts falling due within one year	2001	2000
	£	£
At headquarters		
Trade creditors	1,482	3,561
Other taxes and social security costs	970	-
Other creditors and accruals	15,648	18,287
At regions and ram sales		
Other creditors and accruals	13,916	14,366
	<u>32,016</u>	<u>36,214</u>

The National Sheep Association

Notes to the financial statements for the year ended 31 December 2001

12. Reserves	Headquarters	Regions and Ram Sales	Total £
	Reserves £	Reserves £	
At 1 January 2001	326,778	247,793	574,571
Retained deficit for the year	(32,831)	(56,440)	(89,271)
At 31 December 2001	<u>293,947</u>	<u>191,353</u>	<u>485,300</u>
Analysis of net assets between reserves			
Tangible fixed assets	258,690	32,643	291,333
Fixed asset investments	2	-	2
Net current assets	<u>35,255</u>	<u>158,710</u>	<u>193,965</u>
	<u>293,947</u>	<u>191,353</u>	<u>485,300</u>

13. Related party transactions

There were no transactions with Council Members during the year (2000 - none).

The association paid no monies to trustees during the year (2000 - none).

14. Controlling interest

For the whole of the year, control of the association was vested in The Council of Members.