



National Sheep Association

Annual Report & Accounts

for the year ended

2005

National Sheep Association, The Sheep Centre, Malvern
Worcestershire. WR13 6PH

Registered Company Number: 37818 Registered Charity Number: 249255

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

CONTENTS

	<u>Page(s)</u>
Notice and Agenda for the 113 th AGM	ii.
Trustees Report	1a – 1i
Statement of Council's Responsibilities	2
Auditor's Report to the members	3
Statement of Financial Activities	4
Balance Sheet	5
Headquarters Income and Expenditure Account	6 & 7
Regional and Ram Sale Income and Expenses	8
Notes to the Accounts	9 - 13
Minutes of the 112 th AGM held 9 th June 2005	14

Notice is hereby given that the 113th Annual General Meeting of the
National Sheep Association
is to be held at The Sheep Centre, Malvern, Worcestershire
on 14th June 2006 at 2.00 pm.

By Order of the Council
P MORRIS – CHIEF EXECUTIVE

AGENDA

1. To receive apologies for absence.
2. To confirm the Minutes of the 112th Annual General Meeting.
3. To receive:
 - a. The Trustees Report to year ended 31st December 2005.
 - b. The Statement of Accounts to year ended 31st December 2005.
 - c. The adoption of (a) and (b).
4. To elect:
 - a. Officers for the ensuing year;
 - b. Vice-President(s) for the ensuing year;
 - c. Auditors.
5. To consider any other relevant business.

The National Sheep Association
A Company Limited by Guarantee

Trustees Report
For the year ended 31 December 2005

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 1892. 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 during the year were the officers of the Association. These being The President, Lord Plumb; The Chairman, Mr P Baber; and the Honorary Treasurer, Mr Glyn Davies. 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, Taylor, Dutton of Tring, Hertfordshire are its legal advisers. Ashby's of Tring, Hertfordshire 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;

The National Sheep Association
A Company Limited by Guarantee

Trustees Report
For the year ended 31 December 2005

- (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.
 - (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 £232,867 of which £253,718 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 of problems in the industry over the last few years, therefore 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 current level of reserves are appropriate for the current work of the Association – this to include head quarters work, regional activities and ram sales.

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

General

The Association is engaged in a significant period of change with the changeover in its senior staff. The Board is content that the development is being managed in a sensible and organised way. The consequence being a transition with least possible negative effects on the smooth and effective running of the organisation.

The clear result is that NSA is in very good heart even though the sheep farming sector which it represents is finding considerable difficulty to make headway against a background of inclement financial conditions, constant regulatory change and over complication and a general lack of understanding by the various authorities of the true beneficial effect of sheep and sheep farming to the rural economy and to the country.

Environmental issues

In line with so many other aspects of farming the general lack of understanding of the effect of the grazing animal has been central to some questionable thinking by environmental organisations and consequently by Government.

The National Sheep Association
A Company Limited by Guarantee

Trustees Report
For the year ended 31 December 2005

The fact that sheep numbers have stayed significantly lower than before the 2001 FMD outbreak has been looked upon as an advantage by many environmentalists. There is however a growing contrary view that on many of the hills, uplands and open grazings the consequence of under-grazing will have considerable negative consequences. These include the potential for reduced biodiversity, the increased possibility of fire in a dry season where the forage has dried on the stem, the increased likelihood of bracken stands becoming more established and the seriously reduced economic viability of a farming unit operating below its optimum.

During the year a great deal of work has been done with the Heather Trust and Moorland Association to get a better understanding across to the Government agencies of the benefit of proper controlled grass and heather burning which brings benefit to farmers, the shooting fraternity, the environment and to the landscape.

The Association has also been involved with the Grazing Animal Project to identify the tangible advantage of all forms of grazing – sheep, cattle, horses etc. especially in the more remote areas but also in areas where there is a need to re-establish pasture using sheep to improve the grazing for cattle.

NSA has also had an important part to play within the Upland Land Management Project (ULMAP) organisation. This body and the previously mentioned GAP group provide an invaluable means for the farming organisations, including NSA, to get a message across to Governmental organisations and to the environmentally orientated voluntary groups most of which also have involvement.

Common Land

During the year the Government published The Common Land Bill and NSA was involved in debating many of the principles and consequent detail. Upon the request of members in Wales the Association was instrumental in setting up the Welsh Commons Forum and at the end of the year efforts were being made to create links across the whole of the common land fraternity, considered to be an important part of the Association's portfolio of activity. Many upland farms rely on the use of common grazings as integral parts of their enterprises. There had been fears that the CROW Act (Countryside and Rights of Way Act) which allows access on all commons by the general public could reduce the ability of commons to function and it is considered vitally important for the New Commons Act which is likely to take effect in 2006 to ensure a secure future for grazing commons.

Disposal of Fallen Stock

The new rules governing fallen stock came into effect during the year and while it made a relatively hesitant start at the beginning became well-established in some areas. Even so there are concerns about the environmental damage which will accrue as a consequence of fuel emission and burning; bio-security breakdowns as a result of fluids leaking from inadequate vehicles and the potential for FMD to be spread inadvertently, before diagnosis, as well as other diseases.

Concerns were also being expressed about the cost which would accrue to farmers once the present subsidy system had lapsed – probably by 2008.

The National Scrapie Plan

Organised in order to reduce the already low levels of scrapie in the UK national flock, the Plan, which was devised initially by a joint Government NSA Working Group, made a somewhat slow start in 2001 and has then got into its stride.

Whilst the initial aim had been the complete eradication of the disease the sporadic and rare appearance of what has been described as an A-typical form of the disease in the most resistant genotypes in many

The National Sheep Association
A Company Limited by Guarantee

Trustees Report
For the year ended 31 December 2005

countries of Europe has initiated a more cautious approach to eradication. While therefore the Plan remains in place a slightly more cautious approach has been adopted.

Important to recognise that the National Scrapie Plan has been highly successful in its objectives to reduce scrapie levels and the possibility for sporadic occurrence of new types was discussed in the early days when the strategy was being developed.

Semen Archive

There was continued use of the semen archive as a store of semen from least resistant scrapie genotypes and this was expanded during the year.

Export of live animals

One of the more important events in 2005 was the lifting of the ban on cattle exports which had been in place since 1996. This ten year ban had been a significant impediment to profitability due to reduced competition for stock. This event triggered new activities by groups which had campaigned to ban live exports and NSA head quarters found itself the focus of quite regular visits from protestors as a consequence of a pro-live export stance taken. It is important to record that the Association had written to the Parliamentary Secretary at DEFRA, Mrs Beckett, requesting her support for live exports due to the considerable changes in the rules which had taken place to control the welfare of stock being exported since the ban was imposed. It is significant that Mrs Beckett accorded the exports her support and equally noteworthy that the tolerance formerly accorded the protestors by police seems to have been tightened.

Sheep health issues

A number of disease and welfare issues have continued to develop and be a source of problems. These include Caseous Lymphadenitis (CLA), sheep scab, fluke, fly strike and louping ill caused by ticks, etc. A deal of work has been done by NSA to try and get a more positive response from Government to find a means to control CLA ie a vaccine and there is evidence of somewhat slow progress.

During the year Synthetic Pyrethroids were removed from the spectrum of products used in dips to control external parasites including the sheep scab mite. This was not a permanent removal but a temporary move pending the establishment of a more robust means of protecting water courses from spent dip and from contamination by freshly dipped sheep.

The Association put forward the view that it was necessary to maintain as many products in the armoury as possible to control scab and that whilst there was a continued lobby from some quarters to ban OPs, it was felt important that NSA should work to explain the need for effective products.

The Association has continued to press for research to find other, effective products, preferably which control scab without side effect damage to either people or the environment.

Identification

Identification issues continued to be on the agenda and at the end of the year there was still uncertainty about whether double tagging would become a requirement. A major part of the Association's lobbying activity during the year was devoted to this highly contentious issue.

The National Sheep Association
A Company Limited by Guarantee

Trustees Report
For the year ended 31 December 2005

Low Prices

A recurring theme at meetings throughout 2005 was that of low prices. This seemed to be a universal nationwide problem with slight variation according to location. A number of ideas were discussed as being the main source of the problem, these included too many lambs coming ready at the same time, continued pressure from supermarkets on processing wholesalers to pull prices down to producers, quality of lamb not up to the required standard. There was however a general feeling that the presence of increased quantities of chilled New Zealand lamb on the supermarket shelves, in some cases well into August, was a contributory factor as it was often subject to special offer price reduction and it also competed with supplies of home grown product resulting in possible over supply at critical periods. Many discussions on the subject took place at Board and Council meetings and at the end of the year there was a growing will to get into dialogue with the New Zealand producers to explore ways of preventing the continued development of trade which was mutually damaging to producers in both countries.

Mutton Renaissance

The Association continued with its involvement with the Academy of Culinary Art to promote the regeneration of interest in mutton during the year. Led by His Royal Highness Prince Charles who is also Patron of the Academy and with its origins in a meeting which took place in 2003 at Highgrove, The Mutton Renaissance campaign was launched in November 2004 and 2005 saw its continuing development.

Today there are over 200 businesses throughout the country which have registered an interest. These cover production, processing and cooking with one company alone, contract caterer, Aramark, implementing a seasonal mutton promotion with 150 of its units. A breakdown of the business includes 98 farms, 42 abattoirs and butchers and 65 restaurants. While there are companies and individuals which have declared their interest it is quite clear that there are far more who are 'working away' to produce, process and serve high quality mutton.

One of the key reasons behind the project was the fact that higher prices for older sheep would enable a more flexible approach to be adopted towards marketing with the prospect of better prices for well fleshed ewes, which had been in the flocks for say up to four years, stimulating the development of younger producing flocks with consequent benefits in terms of economics, health and welfare.

It should be noted that Mutton Renaissance could not have got off the ground without the active involvement of EBLEX and HCC, the respective meat promotion bodies for England and Wales, who have put in substantial funding. There has also been a grant from DEFRA with a great deal of leg work being done by the NSA and the Academy.

Skin on carcasses ("smokies")

Continuing on the theme of marketing, the Association has maintained pressure on Government to relax some of its rules with regard to the supply of skin on carcasses (smokies) to certain sectors of the ethnic community. Currently being supplied illegally by some UK producers and importers, the market is significant and it was hoped that the work being carried out by the Food Standards Agency (FSA) would enable the production to be legalised in the new year (2006).

Splitting carcasses

In the context of marketing and food safety, steps were being promoted during the year to examine the continued requirement to split carcasses over the age of one year (decided on yearling teeth) for the purpose of removing spinal cord. Attention was drawn to the fact that in France the spinal cord was

The National Sheep Association
A Company Limited by Guarantee

Trustees Report
For the year ended 31 December 2005

removed by a suction system developed by MLC in UK and yet this did not meet with the approval of the UK authorities. The reason NSA would like to see the removal of the requirement to split carcasses is that this would reduce cost of processing, increase value of the carcass and could be the start of a process to unravel some of the questionable rules introduced to safeguard public health.

Farm Assurance

NSA continues to play its part in ensuring an equitable system of rules to maintain good standards of production. It has a seat on the Board of the standard setting body, Assured British Meat (ABM) and has participated in establishing workable rules beyond the farm gate to include transport, marketing and slaughter.

Single Farm Payment (SFP)

Whereas attention was drawn to the creation of the Single Farm Payment in the 2004 Annual Report it became clear during 2005 that the different systems operated by England, Wales, Scotland and Northern Ireland would have unusual consequences. The worst manifestation of the problems came in the English system where the Government had opted for the payment to be area based. As a result of the inability of the Rural Payments Agency (RPA) to handle the detail a great deal of political pressure was being applied in order to achieve positive progress.

Welfare

Whereas welfare of animals is a constant interest for sheep farmers, the Association remained on its guard against the development of rules which would adversely affect the position of British producers by comparison with the competition. The Draft Animal Welfare Bill continued to make its progress through Parliament with great care being taken to avoid unnecessary and unworkable rules and regulations.

Transport

In the previous report attention was drawn to the fact that despite pressure from the welfare groups to tighten the rules within the Welfare of animals in Transit Order (WATO) there were to be no changes.

During 2005 this situation was reversed and there was a significant change. This includes the fact that anyone who transports animals for more than 65 km must hold a certificate of competence. This includes farmers, transporters and attendants using road vehicles for transporting farm animals. This rule has to be implemented by 5th January 2008. In the new rules there is reference to "short journeys" and "long journeys", a long journey being described as anything over eight hours. There are a number of other issues which, amongst others, include Global Positioning Satellite (GPS) Tracking Systems being required on all new vehicles used for long journeys after 1st January 2007 and all other vehicles on long journeys after 1st January 2009.

Regions and Representation

A considerable part of the effectiveness of NSA comes from the Regional structure which allows communication between groups of sheep farmers in the different areas and the headquarters team allowing a constant flow of up to date information to be transmitted to Government and used in specialist debates.

The National Sheep Association
A Company Limited by Guarantee

Trustees Report
For the year ended 31 December 2005

With the development of devolved countries within the UK structure there was a need to divide the former Wales and Border region. Accordingly the NSA Cymru/Wales Region Committee has now been operating for a few years and there have been calls for a new Region to be formed to cover Gloucestershire, Herefordshire, Shropshire, Warwickshire and Worcestershire. During the year a new Regional Committee was set up for the area with a provisional name of The Marches Region.

All of the other regions continue to function with the greatest activity seen to be taking place in the regions with the greatest numbers of sheep.

Great strides have been made in both Scotland and Wales to interface with their devolved Governments. Whereas much of this representation is handled on a regional basis, there are many occasions when assistance is provided from headquarters. Meanwhile the head office at Malvern and its team retain a constant, usually daily dialogue with Defra and the Government Agencies which have to do with food and environment. In addition there were responses made to a large number of Government stimulated documents which included: Consultation on TSEs; consultation on the draft food hygiene regulations and associated industry guidance; inquiry into the future financing of CAP; Specified Risk Materials; Microclimate in Animal Transport Road Vehicles; Veterinary medicines regulations; on-farm salting of hides and skins; consultation to amend the legislation on BSE testing to facilitate trade in cattle over thirty months for human consumption; draft regulations to consolidate feeding stuffs regulation 2000; EU food hygiene and official feed and food controls legislation; identification of sheep & goats; transposition of Council Directive 2003/05 on FMD; proposed TSE regulations; EU commission's TSE roadmap; Compensation rates for scrapie flocks; CROW Act Section 68 Vehicular access over common and other land; review of heather and grass burning regulations and code.

Sub-committees

The established sub-committees continue to provide specialist information to the Board as and when necessary with activities varying according to need and availability of Committee members and staff to get together. Increasing use is made of telephone conferencing facilities as a cheaper and convenient option to trawl for views.

The George Hedley Memorial Award

The winner of the 2005 NSA George Hedley Memorial Award was Mr Cyril Lewis. Mr Lewis was awarded the prize for his enormous contribution to the sheep industry on a broad number of issues over many years. The award would be presented at a dinner in 2006.

Executive Board and Council

There were four meetings each of the Board and of Council. Due to terrorist activity in London most meetings were held at Malvern.

Publicity and Events

The Association continued to maintain a reasonable profile within the industry with a great deal of cover in the farming press and media and a presence at shows either with specially organised stands or else with the Carcase Display units.

The National Sheep Association
A Company Limited by Guarantee

Trustees Report
For the year ended 31 December 2005

Main shows at which there was an NSA sheep centre presence were The Royal Highland, The Royal at Stoneleigh and The Royal Welsh while other prominent representation included The Great Yorkshire and the Devon County.

There were three specialist NSA sheep events: Northsheep, Welshsheep and Southwest Sheep. There were meetings and/or conferences in most other regions.

The five NSA Ram Sales continue to be important events and are seen as playing vitally important parts in the business of commercial sheep breeding. Important to recognise the fact that the Wales and Border Ram Sale committee held its 27th main sale at Builth Wells and its 16th early sale. The South West Ram Sale Committee held its 17th sale at Exeter and the Eastern Region Ram Sale held its 21st sale at Melton Mowbray. The Northern Ireland Ram Sale Committee held its 16th sale at Antrim.

Shepherd Publishing continued to publish the Sheep Farmer for the 9th consecutive year as well as several issues of "Focus" to deal with specific areas of interest.

Other organisations

The Association continues to maintain relationships with other organisations. Some of these are from the direct farming sector and include the farm unions (The National Farmers Union of England and Wales, The Farmers Union of Wales, The Scottish National Farmers Union); the Tenant Farmers Association, The Country Landowners and Business. In addition it maintains a constant and regular dialogue with a number of bodies whose activities impinge on sheep farming.

Policies, Organisation, Management and staff

Policies of the Association continue to be formulated by a combination of Regional Structures, Breed Societies, The Executive Board and Council. The main delivery of the policies is done by The Chief Executive. NSA headquarters remains at Malvern.

Staff complement continues with John Thorley as Chief Executive, Peter Morris as Deputy Chief Executive, Tony Cave-Penney as European Specialist, Julie Jennings as Personal Assistant to both Chief Executive and his Deputy, Mags Barrow as Company Secretary, Dyana Webb as Environment Secretary and Show and Event coordinator, Barbara Chandler as Finance Secretary. Debbie Hudson as Membership Secretary.

2005 would be the last year for Mr Thorley as Chief Executive. The position would be taken over in 2006 by Mr Morris. Mr Thorley would continue to work within the organisation on a part-time basis. The Trustees take this opportunity to place on record their grateful thanks to John Thorley for his long and successful period as the Association's chief official for over thirty years. Mr Thorley first became its secretary in 1969, when the organisation was called the National Sheep Breeders Association, then after a short break in the early 1970's he returned to the Association in 1974 as its Secretary and then as its Chief Executive. Mr Thorley's belief in the vital importance of sheep farming to the UK and his passion for NSA during this time created a sound base for the organisation while his consistent enthusiasm and dedication raised the profile of NSA, sheep and the UK sheep industry.

The Trustees also take this opportunity to record their overwhelming thanks to all who have contributed in any way to the Association and the sheep industry during the year. In particular they draw attention to the fact that the NSA would not be able to function without the help of the farmers who give up their time, free of charge, for the benefit of their fellow sheep farmers.

The National Sheep Association
A Company Limited by Guarantee

Trustees Report
For the year ended 31 December 2005

Finance

The constant increase in the workload of the Association continues.

Rising to the challenge has been a consistent pattern over the years. Whilst this is costly, the Association is ever mindful of the fact that the sector of farming which it serves requires as economical an approach as possible.

In 2005 the total income of the Association was £754,853 and the total expenditure was £751,853 leaving an overall surplus of £3,000.

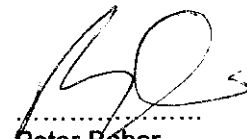
In order to maintain the finances of the Association at a reasonable and sensible level the membership fee was raised from £35.00 to £40.00 from 1st January 2005 with a further rise of £5.00 planned for January 2006.

Membership promotion activities continue to be undertaken each year and it will be necessary for the Association to see membership recruitment as a priority in 2006.

This concludes The Trustees Report.



.....
Lord Plumb
President



.....
Peter Baber
Chairman

It is with sadness that the President and Chairman place on record the death of Mr Glyn Davies, The Honorary Treasurer, who died on 20th April 2006.

The National Sheep Association

**Statement of Council's Responsibilities
for the year ended 31 December 2005**

Company law requires the Council to prepare financial statements that give a true and fair view of the state of affairs of the association at the end of the financial year and of its surplus or deficit for the financial year. In doing so the Council are 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 are responsible for maintaining proper accounting records which disclose with reasonable accuracy at any time the financial position of the association and enables them to ensure that the financial statements comply with the Companies Act 1985. The Council are 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 14 June 2006 and signed on its behalf by



P Baber
Chairman

The National Sheep Association

Independent Auditors' Report to the Members of The National Sheep Association

We have audited the Financial Statements on pages 4 to 13 of The National Sheep Association for the year ended 31 December 2005. These financial statements have been prepared under in accordance with the Financial Reporting Standards for Smaller Entities (effective June 2005), under the historical cost convention and the accounting policies set out therein.

This report is made solely to the members of the association, as a body, in accordance with Section 235 of the Companies Act 1985. Our audit work has been undertaken so that we might state to the association's members those matters 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 association and the association's members as a body, for our audit work, for this report or for the opinions we have formed.

Respective responsibilities of 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 International Standards on Auditing (United Kingdom and Ireland).

We report to you our opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Companies Act 1985. We also report to you if, in our opinion, the Trustees' Annual Report is not consistent with the financial statements, if the 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 other information contained in the Trustees' Report, and consider whether it is consistent with the audited financial statements. We consider the implications for our report if we become aware of any apparent misstatements or material inconsistencies with the financial statements. Our responsibilities do not extend to any other information.

Basis of Audit Opinion

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

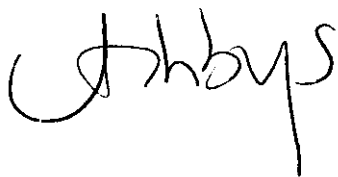
We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or other irregularity or error. In forming 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, in accordance with United Kingdom Generally Accepted Accounting Practice, of the state of the association's affairs as at 31 December 2005 and of its profit for the year then ended; and
- have been properly prepared in accordance with the Companies Act 1985.

Ashby's
Registered Auditor
Tring House
77/81 High Street
Tring
Herts HP23 4AB



3rd August 2006

The National Sheep Association
Statement of Financial Activities
for the year ended 31 December 2005

		Unrestricted Funds			
			Regions and Ram		
	Notes	Headquarters	Sales	Total 2005	Total 2004
		£	£	£	£
<u>Incoming resources</u>					
Voluntary					
Subscriptions		307,626	-	307,626	291,578
Donations		-	200	200	-
Sponsorship		1,030	19,430	20,460	25,815
Charitable Activities					
Promotional events and activities		40,774	177,146	217,920	335,138
Other activities for generating funds		19,535	168,191	187,726	111,802
Investment income		10,998	8,493	19,491	13,465
Other incoming resources		1,430	-	1,430	13,428
Total incoming resources		<u>381,393</u>	<u>373,460</u>	<u>754,853</u>	<u>791,226</u>
<u>Resources expended</u>					
Costs of generating funds		6,439	95,755	102,194	64,422
Net income available for charitable application		<u>374,954</u>	<u>277,705</u>	<u>652,659</u>	<u>726,804</u>
Charitable expenditure					
Charitable activities		133,648	156,014	289,662	319,953
Support costs		146,196	-	146,196	161,369
Management and administration		145,783	68,018	213,801	202,771
Total charitable expenditure		<u>425,627</u>	<u>224,032</u>	<u>649,659</u>	<u>684,093</u>
Total expenditure		<u>432,066</u>	<u>319,787</u>	<u>751,853</u>	<u>748,515</u>
Net movement in funds for the year		(50,673)	53,673	3,000	42,711
Funds brought forward		288,796	221,494	510,290	467,579
Funds carried forward	12	<u>238,123</u>	<u>275,167</u>	<u>513,290</u>	<u>510,290</u>

The National Sheep Association

**Balance Sheet
as at 31 December 2005**

		2005		2004	
	Notes	£	£	£	£
Fixed Assets					
Tangible assets	6		280,421		276,939
Investments	7		<u>2</u>		<u>2</u>
			280,423		276,941
Current Assets					
Stocks	8	1,873		2,383	
Debtors	9	38,107		71,098	
Cash at bank and in hand	10	253,718		270,626	
		<u>293,698</u>		<u>344,107</u>	
Creditors: amounts falling due within one year	11	(60,831)		(110,758)	
Net current assets			232,867		233,349
Net assets			<u><u>513,290</u></u>		<u><u>510,290</u></u>
Capital and reserves					
Headquarters' reserve	12		238,123		288,796
Regional and ram sales reserve	12		275,167		221,494
			<u><u>513,290</u></u>		<u><u>510,290</u></u>

The financial statements were approved by the Council on 14 June 2006 and signed on its behalf by

P Baber
Chairman



The National Sheep Association

**Headquarters Income and Expenditure Account
for the year ended 31 December 2005**

	2005		2004	
	£	£	£	£
Voluntary				
Individual members subscriptions	303,726		287,728	
Breed and affiliated societies subscriptions	3,900		3,850	
Sponsorship	1,030		-	
	<hr/>	308,656	<hr/>	291,578
Charitable activities				
Promotional income - events	40,774		44,859	
Events expenditure	(46,948)		(49,932)	
	<hr/>	(6,174)	<hr/>	(5,073)
Income from sheep	-		116,785	
Events expenditure	(5,181)		(66,297)	
	<hr/>	(5,181)	<hr/>	50,488
Other activities for generating funds				
Income from carcass units	8,066		10,229	
Events expenditure	(6,439)		(6,374)	
	<hr/>	1,627	<hr/>	3,855
Income from British sheep	1,404		1,735	
Production costs of British sheep	-		(1,307)	
	<hr/>	1,404	<hr/>	428
Income from Sheep UK	-		6	
Sheep UK production costs	-		30	
	<hr/>	-	<hr/>	36
Sales of promotional items	65		172	
Costs of promotional items	-		(1,122)	
	<hr/>	65	<hr/>	(950)
Income from ATV		-		-
Income from DEFRA		-		2,122
Secretariat fees		10,000		13,144
Investment income				
Rental income	7,800		7,800	
Bank interest	3,198		1,776	
	<hr/>	10,998	<hr/>	9,576
Miscellaneous income		1,430		9,529
		<hr/>		<hr/>
		322,825		374,733
Other expenditure - Page 7		(373,498)		(349,535)
		<hr/>		<hr/>
(Deficit) / surplus for the year		<u>(50,673)</u>		<u>25,198</u>

The National Sheep Association

**Headquarters Schedule of Expenditure
for the year ended 31 December 2005**

	2005		2004	
	£	£	£	£
Charitable activities expenses				
SAMB costs	3,223		2,618	
Costs of Sheep Farmer	-		2,144	
Advertising (including staff recruitment)	-		180	
Membership promotion	2,773		5,963	
Representation and public relations	36,211		20,145	
Conferences	503		706	
Travelling expenses and subsistence	36,278		32,660	
Committee rooms and refreshments	1,962		1,302	
Depreciation on display equipment	569		223	
		81,519		65,941
Support costs				
Salaries	99,365		118,887	
Pension costs	1,811		3,221	
Awards and donations	2,644		2,040	
Vehicle expenses	8,685		4,529	
Depreciation on freehold property	2,401		2,401	
Printing and stationery	8,067		1,870	
Telephone (including rental)	5,032		5,191	
Postage and dispatching	10,283		13,878	
Rates	1,984		1,667	
Insurance	5,924		7,685	
		146,196		161,369
Management and administration				
Salaries	80,680		65,094	
Pension costs	-		1,452	
Photocopying (including rental)	3,334		3,249	
General office expenses	15,716		20,042	
Deprecation of furniture and equipment	683		488	
Deprecation of computers	3,829		3,825	
Light and heat	3,249		3,248	
Property repairs at head office	1,716		7,751	
Professional fees	4,808		3,671	
Auditors remuneration	4,900		4,900	
Bank charges	2,590		2,505	
Bank interest paid	125		24	
Printing and stationery	897		207	
Telephone (including rental)	1,238		1,298	
Postage and dispatching	541		730	
Rates	1,069		898	
Insurance	4,963		2,843	
Difference on VAT control account at 31/12/04, written back to income and expenditure account	7,716		-	
PAYE and NIC liability understated from previous year	7,729		-	
		145,783		122,225
		373,498		349,535

The National Sheep Association
Regions and Ram Sales Income and Expenses
for the year ended 31 December 2005

	Scottish £	Scot Sheep £	Northern £	North Sheep £	Wales £	Wales & Border Ram £	Central £	Eastern £	Eastern Ram £	South West Region £	South West £	South West Ram £	South East £	Northern Ireland £	Total 2005 £	Total 2004 £
Incoming resources																
Voluntary																
Donations																
Sponsorship	600	-	-	13,332	-	4,000	258	330	660	50	-	-	150	-	200	25,815
Charitable Activities																
Promotional events and activities	1,833	-	-	-	-	158,936	1,083	1,900	2,612	-	-	9,194	124	1,464	177,146	173,494
Other activities for generating funds	-	-	-	75,411	59,501	-	-	-	-	-	33,279	-	-	-	168,191	84,394
Investment income	1,005	-	390	531	648	4,842	-	43	-	1	-	855	-	178	8,493	3,889
Other incoming resources	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3,899
Total incoming resources	3,438	-	390	89,274	60,149	167,778	1,341	2,273	3,272	301	33,279	10,049	274	1,642	373,460	291,491
Resources expended																
Costs of generating funds																
Cost of regional shows	-	-	-	42,214	30,343	-	-	-	-	-	23,198	-	-	-	95,755	55,649
Charitable expenditure																
Charitable activities																
Event expenses and publicity	14,638	-	567	-	-	103,353	26	464	996	162	-	3,902	-	583	124,691	119,850
Motor, travel and haulage	-	-	2,831	-	-	8,785	160	881	-	-	-	-	-	-	12,657	3,784
Catering	-	-	-	-	-	3,033	525	-	-	-	-	-	-	-	3,558	2,915
Prizes	-	-	-	-	-	-	-	-	304	-	-	-	-	-	304	269
Donation	-	-	-	-	-	-	-	-	1,900	-	-	-	-	-	1,900	-
Sponsorship	-	-	-	-	-	2,318	-	-	-	-	-	-	-	200	2,518	2,656
First aid cover	-	-	-	-	-	152	-	-	-	-	-	-	-	-	152	140
Depreciation	80	-	273	-	-	9,646	-	-	-	-	-	-	25	-	10,024	6,284
Miscellaneous	-	-	85	-	-	-	-	25	71	-	-	-	29	-	210	1,885
Management and administration	14,718	-	3,756	-	-	127,287	711	1,370	3,271	162	-	3,902	54	783	156,014	137,783
Secretary's fees	-	-	4,500	-	6,000	16,195	263	-	-	3,000	-	750	2,500	-	33,208	36,544
Office expenses	3,234	-	-	-	972	2,380	-	-	-	68	-	233	-	-	6,887	13,910
Meeting expenses	1,800	-	820	2,594	376	911	-	-	450	1,124	-	263	296	270	8,904	12,552
Printing, postage and stationery	-	-	345	1,099	670	9,037	-	-	-	-	1,834	251	26	-	13,262	11,847
Insurance	-	-	19	541	-	-	-	-	-	-	150	-	-	-	710	20
Telephone	-	-	377	-	60	962	-	-	-	-	-	-	-	-	1,399	2,171
Bank charges and interest	65	-	37	25	285	353	-	-	-	-	-	29	-	81	875	697
Accountancy	100	-	350	550	75	715	65	-	-	200	150	148	160	260	2,773	2,805
	5,199	-	6,448	4,809	8,438	30,553	328	-	450	4,392	2,134	1,674	2,982	611	68,018	80,546
Total resources expended	19,917	-	10,204	47,023	38,781	157,840	1,039	1,370	3,721	4,554	25,332	5,576	3,036	1,394	319,787	273,978
Net movement in funds for the year	(16,479)	-	(9,814)	42,251	21,368	9,938	302	903	(449)	(4,253)	7,947	4,473	(2,762)	248	53,673	17,513

The National Sheep Association

Notes to the Financial Statements for the year ended 31 December 2005

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 June 2005), and in accordance with the Statement of Recommended Practice 'Accounting and Reporting by Charities' (SORP 2000) issued in October 2000.

Incoming resources

Voluntary income is received by way of annual rolling subscription and is included in the Statement of Financial Activities evenly over the period of the subscription.

Event income is generated from various events held throughout the year and is included in the Statement of Financial Activities when receivable. Depending on the type of event it is recorded as a charitable activity or an event for generating funds.

Resources expended

After identifying all costs relating directly to the operations of the charity there remain costs which are incurred in connection with the management and administration of the charity. These included 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.

Prior year adjustment

During the year ended 31 December 2005 the trustees changed the categorisation of certain items of income and expenditure in order to more accurately reflect the different sources and applications of funds. As a result of the change £84,394 of income has been re-categorised from charitable activities to other activities for generating funds and £55,649 of expenditure has been re-categorised from charitable expenditure to costs of generating funds. These amounts relate to the income and expenditure generated from regional events. The result in the change in treatment has made no impact on the net results for 2004.

1.2 Tangible fixed assets

Depreciation is provided at rates calculated to write off the cost less estimated residual value of each asset over its expected useful life, as follows:

Freehold property	-	1% - straight line
Fixtures & fittings	-	10 % to 25% - reducing balance
Hurdles	-	15 % to 25% - reducing balance
Computer equipment	-	20% - straight line
Display trailers	-	25% - reducing balance
Show pavilions	-	5% - reducing balance
Carcass units	-	20% - reducing balance

1.3 Investments

Fixed assets investments are stated at costs 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 association operates a defined contribution pension scheme. The assets of the scheme are held separately from those of the association in an independently administered fund. Contributions payable for the year are charged in the income and expenditure account.

The National Sheep Association

Notes to the Financial Statements for the year ended 31 December 2005

1.6 Authorisation of financial statements

The financial statements were authorised for issue by Peter Baber on 14 June 2006.

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

3. Resources expended includes:

	2005	2004
	£	£
Depreciation and other amounts written off tangible assets	17,506	14,278
Auditors' remuneration	4,900	4,900
Auditors' remuneration for non-audit work	2,693	2,775

4. Employees

	2005	2004
	No.	No.
The average monthly number of employees during the year was as follows:		
Direct charitable	3	3
Management and administration	4	5
	<u>7</u>	<u>8</u>

The costs incurred in respect of these employees were:

	£	£
Direct charitable		
Wages and salaries	103,330	107,000
Social security costs	11,569	11,887
Pension costs	884	3,221
Management and administration		
Wages and salaries	67,864	60,219
Social security costs	5,011	4,875
Pension costs	927	1,452
	<u>189,585</u>	<u>188,654</u>

The gross remuneration paid to the Chief Executive in the year was £43,680 (2004 - £53,000); no other employee earned £50,000 or more during the year. Pension contributions of £Nil (2004 - £2,500) were paid on behalf of the Chief Executive during the year.

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 £1,811 (2004 - £4,763). There were contributions amounting to £Nil (2004 - £485) outstanding at the balance sheet date. There were no contributions made on behalf of trustees.

The National Sheep Association

Notes to the Financial Statements
for the year ended 31 December 2005

6. Tangible fixed assets

	Freehold Property £	Fixtures and Fittings £	Hurdles £	Computer Equipment £	Display Trailers £	Royal Welsh Pavilion £	Royal Show Pavilion £	Carcass Units £	Total £
Cost									
Brought forward - cost	240,069	40,626	70,156	64,208	17,248	54,430	31,614	20,283	538,634
Brought forward - grant	-	-	-	-	-	(13,883)	(11,994)	-	(25,877)
At 1 January 2005	240,069	40,626	70,156	64,208	17,248	40,547	19,620	20,283	512,757
Additions	-	1,950	17,473	-	1,565	-	-	-	20,988
At 31 December 2005	240,069	42,576	87,629	64,208	18,813	40,547	19,620	20,283	533,745
Depreciation									
At 1 January 2005	14,405	36,888	62,391	50,688	10,174	27,148	14,733	19,391	235,818
Charge for the year	2,401	1,138	6,310	4,505	2,160	670	144	178	17,506
At 31 December 2005	16,806	38,026	68,701	55,193	12,334	27,818	14,877	19,569	253,324
Net book value									
At 31 December 2005	223,263	4,550	18,928	9,015	6,479	12,729	4,743	714	280,421
At 31 December 2004	225,664	3,738	7,765	13,520	7,074	13,399	4,887	892	276,939

There was no capital expenditure contracted for at the year end (2004 - none)

All assets are used for charitable purposes except the freehold property which is also partly used for investment purposes generating rental income of £7,800 (2004 - £7,800).

7. Fixed asset investments

	Subsidiary undertakings shares £	Total £
Cost		
At 1 January 2005 and at 31 December 2005	2	2
Net book value		
At 31 December 2005	2	2
At 31 December 2004	2	2

The association owns 100% of the issued share capital of Glade Health Limited, a company incorporated in England. Glade Health Limited has not traded.

8. Stocks

	2005 £	2004 £
Stock held in regions and ram sales	112	40
Stocks of books and promotional items	1,761	2,343
	1,873	2,383

The National Sheep Association

**Notes to the Financial Statements
for the year ended 31 December 2005**

9. Debtors	2005	2004
	£	£
At headquarters		
Trade debtors	15,581	12,508
Other debtors and prepayments	14,462	48,288
Sheep event debtors	2,886	5,519
At regions and ram sales		
Other debtors and prepayments	5,178	4,783
	<u>38,107</u>	<u>71,098</u>
10. Cash at bank and in hand	2005	2004
	£	£
At headquarters		
	3,719	8,039
At sheep event		
	9,527	48,222
At regions and ram sales		
	240,472	214,365
	<u>253,718</u>	<u>270,626</u>
11. Creditors: amounts falling due within one year	2005	2004
	£	£
At headquarters		
Bank overdraft	203	26,715
Trade creditors	4,507	4,091
Other taxes and social security	3,619	1,308
Other creditors and accruals	37,178	52,375
Sheep event creditors	3,253	3,253
At regions and ram sales		
Other creditors and accruals	12,071	23,016
	<u>60,831</u>	<u>110,758</u>

The National Sheep Association

Notes to the Financial Statements for the year ended 31 December 2005

12. Reserves	Headquarter Reserves	Regions and Ram Sales Reserves	Total
	£	£	£
At 1 January 2005	288,796	221,494	510,290
Retained surplus for the year	(50,673)	53,673	3,000
At 31 December 2005	<u>238,123</u>	<u>275,167</u>	<u>513,290</u>

Analysis between net assets and reserves

Tangible fixed assets	238,945	41,476	280,421
Fixed asset investments	2	-	2
Net current (liabilities) / assets	(824)	233,691	232,867
	<u>238,123</u>	<u>275,167</u>	<u>513,290</u>

13. Deferred income

	£
Balance at 1 January 2005	-
Income deferred during the year	6,795
Balance at 31 December 2005	<u>6,795</u>

Deferred income is made up of subscriptions paid in advance.

14. Related parties

There were no transactions with council members during the year (2004 - none).

The association reimbursed expenses of £3,752 (2004 - £6,154) to trustees during the year.

15. Controlling interest

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

16. Contingent asset

After reviewing the VAT treatment of income arising from certain regional events, it is believed that the Association may be able to reclaim VAT previously paid to HM Revenue and Customs amounting to £18,253 in respect of events held prior to 31 December 2005. Of this £11,292 relates to events held prior to 31 December 2004. The recovery of this VAT would result in the Association's income (attributable to regions) increasing by £18,253.

The National Sheep Association
A Company Limited by Guarantee

Minutes of the last meeting held 9th June 2005

The 112th Annual General Meeting of the National Sheep Association was held on Wednesday, 9th June 2005 at The Sheep Centre, Malvern, Worcestershire.

PRESENT: Mr Wm Wearmouth Honorary Treasurer
Mr P Baber National Chairman

TOGETHER WITH: Thirty-one members of the National Sheep Association as listed in the Attendance Register.

The Chief Executive read the notice convening the meeting.

1. Apologies for absence were received from President (Lord Plumb), and twenty-three members.
2. The Minutes of the 111th Annual General Meeting were confirmed and signed.
- 3a. To receive The Trustee's Report to year ended 31st December 2004.

Chairman, Mr P Baber, referred members to the Trustees Report and drew attention to the many different issues which impinged on the sheep industry and the responses which NSA had made.

- 3b. The Statement of Account to year ended 31st December 2004.

Treasurer referred members to his report for the year. NSA's representational role at meetings and general work continued to grow and Council had agreed that there should be a £5.00 increase in the membership subscription as from 1st January 2005.

Treasurer thanked staff at head office for their assistance in keeping him updated, in particular, Barbara Chandler as book-keeper and Mags Barrow as Company Secretary.

- 3c. The adoption of (a) the Trustees Report and (b) the Statement of Accounts was proposed by Mr Wm M Jones, seconded by Mr R Payne and unanimously supported.

4. To elect a. Officers for the ensuing year:

President: Lord Plumb

Proposed by: Mr P Baber
Seconded by: Mr D Eglin

Hon. Treasurer Mr G Davies

Proposed by: Mr Wm Wearmouth
Seconded by: Mr P Baber

- b. Vice-Presidents for the ensuing year:

Mr D Prosser proposed that Messrs P Bolam, J Brigg, G Hughes, J Johnston, K McDougall, D Raine, D Smith and J Stoddart should be re-elected as Vice-Presidents. This was seconded by Mr P Tantrum. All agreed.

Noted that nominations for new Vice-Presidents needed to be put to Council and Executive for recommendation to the AGM.

- c. Auditors - Agreed that a change of auditor should be sought.

6. Any other business. Mr Moss proposed that NSA should take a stand at The Three Counties Show, Malvern. Noted that a stand had been taken in the past but there had been minimal interest.

There being no further business Chairman thanked members for attending and closed the meeting.