

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

**Financial Accounts
31 December 2000**

Registered number: 37818



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COMPANIES HOUSE 28/07/01
Critchleys
Chartered Accountants

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

**Financial Accounts For The
Year Ended 31 December 2000**

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**The National Sheep Association
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**Trustees Report
for the year ended 31 December 2000**

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 are the officers of the Association. These are The President, Mr J Stoddart; The Chairman, Mr D Raine demitted office in August and was succeeded by Mr D Smith; and the Honorary Treasurer, Mr G 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 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 discussions 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."

Issues of the Year

January 2000 – a new century and a new millennium. It did not however bring with it better fortune for the sheep industry. The year can be summed up in one paragraph.

It was one of the wettest years since records began with hardly any dry, warm weeks. Sheep prices started low, improved little and finished low. The pressures from all sectors increased. Return on labour and financial investment was either negative or negligible. This situation, following on from similar low returns to sheep farmers over the last few years, conspired to create despair, despondency or little enthusiasm. The role of the different sectors needs to be examined in order to explain the overall effect.

Lowground sheep enterprises: Where keeping sheep on lowground farms and estates was a secondary enterprise, many decided that the low returns resulting in continued negative return on investment of the sheep could no longer be borne and took the decision to sell. This action will have serious knock-on effects on the future of the UK stratified industry where each stratum plays a vital role. For instance – the lowground farms/estates, whether of breeding flocks of hundreds or thousands; or enterprises which bought store stock for finishing in hundreds or thousands; will, for the most part, have bought their stock from hill/upland sheep producers. Where cross-bred breeding ewes were sold in dispersal sales, totalling many thousands of ewes, these farms would no longer be looking to buy replacement cross-bred ewes from the hill/upland producers. Those who had previously bought store sheep for finishing would generally have bought them from hill/upland producers. This will have a massive knock-on effect on sheep production in these hill/upland areas where livestock farming is the only possible enterprise. In addition where low ground farms decided to sell their sheep, the shepherd also went and with the economic climate as it is he/she would be unlikely to find shepherding employment elsewhere. The loss of the skilled shepherd and the probable sale or letting of his/her tied accommodation reduces the likelihood of sheep being reintroduced to that farm in the future. As well as the sheep enterprise being sold many farms were for sale.

Hill/upland farms. The role of hill/upland producers, within the UK stratified industry, is to produce pure bred sheep for flock replacements and cross-bred ewes for sale to producers in areas of UK where conditions are better suited for finished lamb production. The greatly reduced demand from lowland producers for cross-bred ewes will have a severe knock on effect on hill and upland breeders. As part of the hill/upland production system store lambs and cull ewes have historically also been sold to low ground farms – the demand for this stock will also have drastically reduced. The drop in demand from lowground buyers was already noticeable at the autumn sales of breeding stock, cull ewes and store stock. In addition to reduced income from sales of stock, low or negative margins and increased pressures generally, hill/upland farmers also had to contend with the reduced future income following the change from HLCA payments (based on a headage system) to HFA (based on area payments). The overall effect of this change would be much reduced income and a change of emphasis for the need for the support. HLCA was paid to compensate for the difficulties of farming in inhospitable areas; the area payment is based on land being farmed and tied to environmental management. The aim by MAFF and environmental bodies was to have less sheep on the hills but the likely effect will be to make keeping sheep in the hills so uneconomical that, combined with other pressures, long hours and low returns, farmers would question their ability to continue. The consequences of greatly reduced numbers of sheep on the hills is that they would become an unmanaged wilderness. Many farmers were of retirement age but fewer members of their families wished to subject themselves to a life of unrelenting hard work, constant difficulties and little or no return for their labour or investment. There were already many farms sold or for sale but few of the buyers were farmers. NSA was very concerned for the future of the sheep industry, the environment and rural communities.

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**Trustees Report
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To expand on some of the problems experienced during the year:

Whereas farmers, livestock or arable, always have to work with the weather the seemingly constant rain and mostly cold weather throughout the year made all sectors of farming extremely difficult. Late snow on the hills in April resulted in lamb losses; summer brought more rain and very few days of warmth with harvesting and haymaking delayed or impossible; a wet autumn resulted in extreme difficulties for keeping stock and for selling "clean" stock for slaughter and delayed sowing winter crops; many who had been able to get on the land to sow crops had them washed away by the extreme wet conditions in October, November and December which resulted in extensive and constant flooding in many areas with thousands of acres under water for weeks at a time with resultant welfare and marketing problems.

Although problems were to get worse as the year progressed the situation was already bad enough in March 2000 for the Prime Minister to hold an Agricultural Summit on 30th March. The Chief Executive wrote to the Prime Minister, Mr Tony Blair on 27th March highlighting industry problems. We feel that his letter encapsulates these problems and should be contained within this report as an easily accessible record for future years and is reproduced below:

"Dear Prime Minister

We are pleased your Government acknowledges the serious situation in agriculture. Whilst we are acutely aware of problems facing other sectors we will restrict our comments to problems in the sheep industry.

Please recognise that sheep farming has evolved in response to changing economic, ecological and social demands. It utilises some of the most scenic but least productive land in hills, uplands and lowlands, producing the most natural meat available in any quantity. It is a major supplier of lamb to the EU a trade which has been built up by positive marketing over 30 years.

During the last ten years the number of sheep farming families who have ceased producing sheep has reduced by some 24,000 from just under 99,000 in 1990 to under 75,000 in 1999 – a consequence of economic pressure and the additional burden of increased bureaucracy and a lack of understanding of the precise function of sheep farming and the part it plays in maintaining the elusive balance of natural and semi-natural habitat and as a natural soil conditioner.

Because of these problems a distinct lack of confidence pervades the sheep farming community resulting in low self-esteem, an ageing average population and a reluctance by young people to become involved. All are issues which have a direct bearing on the ability of the industry to continue and enhance its traditional role and dramatically interferes with its future development.

It is impossible to go into comprehensive detail in this short note but in the hope that it may influence a more realistic and sympathetic response from the current Comprehensive Spending Review by Government we have spelled out some of the issues in short note form for ease of reference:-

1) Financial

Low income for sheep farming has been disastrous for nearly all sheep enterprises in the last few years. This has resulted in

- (i) No money available for reinvestment and development
- (ii) Cut backs in essential staff. Many enterprises now run with labour to livestock ratios higher than Farm Animal Welfare Council (FAWC) recommendation.
- (iii) Reduced labour force results in farmers being unable to positively manage open grazings effectively leading to the charge by environmentalists of "overgrazing".

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- (iv) Consequent high stress levels on people working very long hours with no respite often resulting in family pressures to the point of break-up and high suicide rates.
- (v) Cost of purchased goods constantly increasing i.e. fuel, sheep feed, veterinary and other treatments, household bills, loan repayments etc.

2) Legislative

Many new changes impinge on the industry and have an effect on viability viz:-

- (i) Groundwater Directive – managed by DETR. This has resulted in welfare of sheep being compromised due to charges being made for hitherto “normal” operations without any tangible benefit to producers. Plunge dipping, known to be the most effective and low cost ectoparasite control, abandoned by many due to new legislative rules, in favour of much more expensive endectocides which are less effective.
- (ii) Abattoir and market closures – new regulations which have resulted in small abattoirs being shut down has meant sheep have to be transported further to be processed. Markets which have closed through economic pressures have also resulted in the need to transport stock greater distances. This impinges on producer costs and animal welfare especially with higher Government fuel tax now in place.
- (iii) The new proposed identification scheme could seriously impair the way the industry operates. Because of this, great care will need to be taken about how it is set up. The sheep industry could not sustain a system similar to cattle.

3) Third Party Interests

Sheep farmers are at the sharp end of pressure from environmentalists, conservationists, welfarists on the one hand, and on the other lobby groups concerned with “Rights” of the general public to have access to grazed land.

All wish in some way to involve themselves in the way a farm is operated and the way a farmer looks after his sheep. Sometimes the views of the welfarist will conflict with the environmentalist i.e. over where stock are fed supplementary feed in winter time – irrespective of time honoured practice dictated by local knowledge and stockmanship. Even the traditional folding of roots to create and enhance natural soil fertility is now under threat due to Meat Hygiene Service requirement for sheep to be clean when presented at abattoir. Contradictory pressures which leaves the farmer wondering which way to turn.

Frequently the “Third Party” interests claim to have greater knowledge than an experienced sheep farmer. However, their views are narrowly based and usually fail to recognise the wider consequences/knock-on effects which implementation would have.

4) Conclusion

The nature of sheep farming which more than any other farming sector relies on the ability to survive in inhospitable areas in frequently inclement weather makes sheep farmers a uniquely resilient group. Many however, are getting to the point of despair. The reasons are manifold and include:-

- (i) a lack of real confidence in their future against a background of constant nil or low profitability (if all costs are taken into consideration)
- (ii) The feeling that legislation to introduce more controls is a threat which will continually impinge on ability to stay in business and that where it is based on EU law it will be gold plated by UK authorities.

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- (iii) That Government will allow product to be brought in from other countries without applying the same controls on production as apply in this country without apparently realising that controls cost money and therefore exposing UK producers to unfair competition.

We believe recognition needs to be taken now of the part which sheep farmers play in producing a natural healthy product. Their role in protecting the environment and in contributing to the rural economy, social fabric and maintaining an attractive, habitable and viable landscape for the enjoyment of others is vital. This is extremely important in the context of tourism as few people would wish to visit a barren waste.

In the expectation that you will wish to take positive action to restore the viability of sheep farming we hope you will take the foregoing into consideration. More particularly and of immediate importance the maintenance of the payment of £60 million which was made for 1999 and 2000 would be a real and tangible expression of faith in the industry by your Government and we hope that the entire issue will be discussed at the Agricultural Summit on Thursday 30th March.

If you feel it would help we would be prepared to bring a team of sheep farmers to discuss the entire situation.

Yours sincerely
John Thorley"

The following reply was received from Minister of Agriculture, Mr Nick Brown:

"Thank you for your letter of 27 March to the Prime Minister about the problems faced by the sheep sector. You also wrote to me concerning the same issues, please accept this letter as a reply from both of us.

I note your comments on the problems facing the sheep industry and recognise that despite the fact that we have recently seen a return to a more traditional marketing pattern and an improvement in prices, the past few years have been a very difficult period for sheep producers.

The European Union sheep regime prohibits the Government from taking unilateral action to support market prices, but within these constraints, we have implemented a number of measures to assist the recent plight of sheep producers. In particular we have paid enhanced rates of Hill Livestock Compensatory Allowances in each of the last two years and have also paid generous amounts to the industry in compensation for the strength of Sterling. Most recently, at the Farming Summit on 30 March, the Prime Minister announced a further enhancement of support to hill farmers for 2001, through the new Hill Farm Allowances Scheme and a further £22 million in agrimonetary compensation which should be paid to producers this spring. These sums of money will provide substantial short term aid to the sector. Wider measures announced in the Action Plan for Farming and the England Rural Development Plan will provide assistance to help with longer term restructuring of the industry.

With best wishes
Nick Brown"

Many outside influences, affecting farming in 1999, continued to have an ever increasing effect on a now fragile industry. These included the demand for cheap food and the lamentable lack of understanding of the difference in breeding and marketing between intensive (pigs and poultry) and extensive (sheep and cattle). The continued demand for ever cheaper food, by consumers and supermarkets, and its sourcing from other countries ignored two major factors: the effect on rural communities and the environment in UK and the effect on the world environment of transporting the so-called 'cheap' food to UK. These effects are completely contrary to Government's stated aims of a cared for environment and reduced global pollution. The maintenance of a viable sheep industry in UK satisfies both these requirements. And yet there appears to be no comprehension whatever of the effects of the imposed legislation. Of greater concern perhaps, its consequences are understood perfectly.

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Responses

During the year detailed responses were provided to Whitehall, Cardiff and Edinburgh on a number of important issues. The following is a list of some of the items we responded on:

FSA – Transitional & Consequential Provisions & Savings; Agriculture Committee – Government proposals for OPs; DETR Code of Practice for sheep Dipping; National Assembly for Wales – Modulation of Direct Subsidy Payments; DETR – Common Land; Agriculture Committee – Regional Service Centres; MAFF – Identification; Assembly for Wales – Identification; Better Regulation Task Force – Review of the impact of environmental regulations on agriculture; FSA – Local Authority Food Law; MAFF – Products of Animal Origin (Third Country Imports); MAFF – England Rural Development Plan (Processing and Marketing Grant) and (Rural Enterprise Scheme); FSA – Statement of General Objectives and Practices; Environment Agency – Creating an Environmental Vision; Environment Agency – Groundwater Regulations; MAFF – HLCA 2000 / HFA 2001-2006; VMD – Medicines; MAFF – Regional restructuring; MLC – Draft Corporate plan 2001-2004; Health and Safety Commission – Revised enforcement; FSA EU proposals to Consolidate and Simplify EU Food Hygiene;

In addition there were many other issues upon which we were regularly consulted and provided written and verbal opinions.

Abattoir sector

The small and medium sized abattoirs have in many cases incurred high costs to meet revised standards. NSA raised the profile of one particular case of a medium sized abattoir which had had its line speed reduced overnight by such an extent that the business was uneconomical. This was due to an inspector who had visited the abattoir, on behalf of the Meat Hygiene Service, and given a different Hygiene Assessment Score than the previous inspectors – the power of one person was allowed, effectively, to close the abattoir – there was no appeal. It did not reopen. The abattoir had served local farms and those for many miles around providing a much needed service. Its closure served no good purpose. NSA raised the profile of what had happened and wanted to make sure that there could be no repetition of such circumstances.

Health Aspects

Sheep scab continued to spread. Following MAFF's withdrawal of the use of OPs at the end of 1999 due to their concern for the welfare of those people opening the dip concentrate container NSA made representation for their return to the market. Whereas NSA was aware that some people could not use OPs, Health and Safety reports stated that many people were adversely affected by contact with SPs. OPs were effective, more environmentally friendly and more economically priced. As sheep scab was a serious welfare problem the industry needed as many options as possible for treating it. Manufacturers put forward proposals to the Veterinary Products Committee for safer means of opening containers – these were considered and after many weeks of research and meetings OPs were eventually allowed back onto the market just in time for late autumn/winter use.

The other problems of using dip products to treat sheep against sheep scab was the problem of disposal of the spent dip; of shearers being in contact with treated sheep; of scouring plants having the problem of washing the wool and disposing of the chemicals. NSA was involved with a proposal to encourage people to treat sheep in early winter so that the sheep were protected and there was much less residue in the fleece by the time the sheep were shorn and therefore less risk to shearers and a reduced problem for scouring plants. The problems at scouring plants were in many cases very serious with some businesses having been severely fined for pollution.

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Countryside and Rights of Way Bill

Referred to by many as 'Right to Roam' or 'Right of Access'. In addition to concern of the public's interpretation of the bill ie 'roam/access' NSA was also most concerned about the spread of hydatids by dogs owned by members of the public which may not have been treated for worms, whereas under farm assurance schemes all farm dogs have to be treated for worms on a regular basis. Chief Executive wrote to Baroness Hayman, Minister of State, regarding this, pointing out that there were 272 discharges and deaths from NHS hospitals with a diagnosis of hydatidosis recorded by the Welsh Office from 1981-1992. He also wrote "It seems totally unfair to us that farmers are having to go through a series of hoops to protect the general public and themselves while the entire system of safeguards can be put at additional risk without apparent redress."

The other aspect of this Bill is the access to open hill areas – day or night – and the inevitable disturbance caused to wild life. Whereas farmers are often blamed for reducing habitat or disturbance of ground nesting birds the bill effectively permits this disturbance by general public.

Identification

A system to allow better traceability to farm of birth was devised during the year and was due to begin operation in the new year.

Disposal of fallen stock

Additional legislation was making it increasingly difficult to dispose of fallen stock.

QM100

NSA was pleased to provide the trailer for use at HRH The Queen Mother's 100th Birthday celebrations held on 19th July in St James Park, London.

New Chairman

NSA Council welcomed Mr David Smith as the new chairman at the August Council meeting when Mr David Raine demitted office after 4 years as Chairman. Council was very grateful for the time and expertise Mr Raine had given to the Association and hoped he would continue to be involved with NSA. At the time of becoming Chairman, Mr Smith, from Northumberland, was also Chairman of Northern Region but handed over that position a few weeks later.

Future prospects

Whilst the sheep industry had been in dire straits for almost the whole of the year there had been signs of the problems bottoming out and there were realistic hopes that 2001 might see an upturn in fortunes. Against a background of a drop in producers of around 25,000 during the previous decade there was a feeling that with prices starting to harden there was better reason to forecast a degree of long awaited improvement.

Executive Board and Council

There were four meetings of the Board during the year and four meetings of Council. Business transacted either at the Barn meeting room at The Sheep Centre, Malvern or else at a suitable meeting room in London. The telephone conferencing facility was also used.

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The NSA George Hedley Memorial Award

The winner of the 2000 NSA George Hedley Memorial Award was Capt Nick Archdale. The award was due to be presented to him in early 2001 at a dinner to be held in London in the presence of a group of people from a number of allied organisations.

Publicity and Events

The Association had a presence at numerous events in 2000. NSA Sheep Centres were co-ordinated at the Royal Highland, the Royal and the Royal Welsh shows. In addition the Association attended the Welsh Winter Fair at the Royal Welsh Showground and various other events were supported by regional committees.

There was one specialist sheep event organised by a Regional Committee – Northsheep, which was well attended and raised the profile of the Association across the region. In addition to this NSA was also involved with the biennial sheep event held at Three Counties Showground, Malvern – Sheep 2000.

The five Association ram sales continued to hold their position as established events, for both vendors and purchasers. The Wales and Border Region Ram Sale Committee held its 12th early and its 23rd main sale at Builth Wells; the South West Ram Sale committee held their 13th sale at Exeter; the Eastern Region Ram Sale Committee organised their 17th sale, held at Melton Mowbray and the Northern Ireland Region Ram Sale committee organised its 12th sale at Antrim. There was also a second NSA ram sale held at Thame. The main sale at Builth Wells continues to be the largest.

The Sheep Farmer completed its fourth full year under Shepherd Publishing, and has continued to develop the journal's visual impact and technical matter. Six bi-monthly issues were complemented with a Summer Focus, Forage Matters and Winter Focus. These were produced with support from commercial sponsorship.

Membership promotions were organised throughout the year, with some involving support from commercial companies. A summer prize draw was held with the winner receiving an ATV.

Other Organisations

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

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. During the year there were four meetings each of Council and of the Executive Board with meetings of a number of specific interest Committees also taking place.

The headquarters of the Association remains at Malvern from where regular contact and dialogue is maintained with a broad spectrum of agricultural and allied trade organisations.

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; Jayne Askew took over from Elaine Evans as Membership Secretary; Dyana Loach as Environment Secretary and Helen Owen as Technical Assistant. Staff were very sorry to see Elaine Evans leave but respected her desire to follow her vocation to go into nursing.

The Trustees take this opportunity to place on record their thanks to all who have contributed in any way to making it a successful year for the Association. In particular, to the many people who give 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.

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Treasurer's report

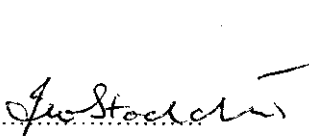
In my fourth year as Honorary Treasurer I report that there was a decrease in income from £300,763 to £283,877 and an increase in expenditure from £297,357 to £303,129 leaving a deficit for the year of £19,252. The reduced income and increased expenditure reflects the state of the industry (farmers retiring or selling the farm), an increased work load and ever increasing costs.

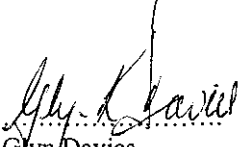
In order to help correct the imbalance it was agreed by Council that the membership subscription should be increased from £25.00 to £30.00 per annum as from 1st January 2001. The subscription had been £25.00 since 1st January 1997 and at that time it had been agreed that the subscription would probably need to increase at 1st January 2000. However Council had felt in 1999 that the industry was at such a low ebb that the subscription should not be increased for 2000 in the hope of improved circumstances for the industry by 2001. Although the general improvement had not occurred it was not possible to defer an increase any longer. The increased work load of the Association and general increase in costs now meant that it would be necessary to review the subscription on an annual basis.

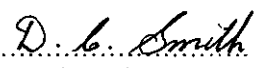
I would like to take this opportunity to thank the current members of Finance Committee for their diligent efforts during 2000. I conclude my report by thanking all staff at HQ for their untiring efforts to make my role and that of the committee as straight forward as possible.

Mr G Davies
Honorary Treasurer

This concludes The Trustees Report


Joe Stoddart
President


Glyn Davies
Hon. Treasurer


David Smith
Chairman of Council

5 June 2001

**The National Sheep Association
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Statement of Council's Responsibilities

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

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

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.

On behalf of the Council

D. G. Smith

D Smith
Chairman

5 June 2001

**Auditors' report to the members of
The National Sheep Association
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We have audited the financial statements on pages 4 to 8, which have been prepared under the historical cost convention, and the accounting policies set out on page 8a.

Respective responsibilities of the council and auditors

As described on page 2, the Council of the Association is responsible for the preparation of financial statements. It is our responsibility to form an independent opinion, based on our audit, on those statements and to report our opinion to you.


Basis of opinion

We conducted our audit in accordance with 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 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 error or other irregularity. 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 company's affairs as at 31 December 2000 and of its loss for the year then ended and have been properly prepared in accordance with the Companies Act 1985.


Critchleys
Registered Auditors
Chartered Accountants

Date 26 July 2001

Statement Of Financial Activities
For The Year Ended
31 December 2000

Note	Unrestricted Funds		Total 2000 £	Total 1999 £
	Headquarters	Regions & Ram Sales		
	£ (a)	£ (b)		
Income and Expenditure				
Incoming Resources:				
Subscriptions	239,318	0	239,318	247,396
Promotional events and activities	75,829	197,089	272,918	320,033
Interest receivable	6,658	8,034	14,692	16,951
Other income	24,055	0	24,055	32,053
Total Incoming Resources	<u>345,860</u>	<u>205,123</u>	<u>550,983</u>	<u>616,433</u>
Resources Expended:				
Direct charitable expenditure	286,343	174,595	460,938	446,967
Management and administration costs	49,759	61,995	111,754	116,284
Property expenses	19,143	0	19,143	17,999
Financial and professional costs	9,867	5,015	14,882	12,812
Total Resources Expended	<u>365,112</u>	<u>241,605</u>	<u>606,717</u>	<u>594,062</u>
Net Movements in Funds	(19,252)	(36,482)	(55,734)	22,371
Balances brought forward at 1 January 2000	346,031	284,276	630,307	607,936
Balances carried forward at 31 December 2000	<u>326,779</u>	<u>247,794</u>	<u>574,573</u>	<u>630,307</u>

None of the Association's activities were acquired or discontinued in the above 2 years.
There were no recognised gains or losses in the year other than those noted above.

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

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**Balance Sheet
as at 31 December 2000**

		2000		1999	
		£	£	£	£
Fixed assets					
Tangible Assets	5		304,004		310,917
Investments	6		2		2
			304,006		310,919
Current assets					
Stock	7	12,338		14,820	
Debtors	8	35,605		47,935	
Cash at Bank and in Hand	9	258,839		288,877	
		306,782		351,632	
Creditors:					
amounts due within one year	10	36,215		32,244	
Net Current Assets			270,567		319,388
			574,573		630,307
Reserves					
Headquarters' reserve	11	326,779		346,031	
Regional and ram sales reserve	11	247,794		284,276	
		574,573		630,307	

The financial statements on pages 4 to 8 were approved by the Council on 5 June 2001 and signed on their behalf by:

D. b. Smith

D Smith
Chairman

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

**Headquarters Income and Expenditure Account
For the Year ended 31 December 2000**

	2000		1999	
	£	£	£	£
Income from Subscriptions				
Individual members	235,518		243,746	
Breed societies/Affiliated societies	3,800		3,650	
		239,318		247,396
Promotional income - Shows	41,458		42,492	
Show expenses	(39,615)		(31,963)	
		1,843		10,529
Income from carcass units	6,413		4,099	
Carcass expenses	(5,094)		(5,408)	
		1,319		(1,309)
Proceeds from Spring Event	10,868		5,490	
Spring Event expenses	(13,504)		(5,055)	
		(2,636)		435
Income from British Sheep	3,368		3,209	
Production costs British Sheep	(2,254)		3,572	
		1,114		6,781
Sales of promotional items	294		1,008	
Promotional items - costs	(1,362)		(450)	
		(1,068)		558
Income from Sheep UK	9		21	
Production costs of Sheep UK	(154)		64	
		(145)		85
Income from Sheep 2000		13,419		-
		253,164		264,475
Other Income				
Rental income	10,100		8,350	
Sponsorship	7,750		8,126	
Bank interest	6,658		4,235	
Miscellaneous income	6,205		15,577	
		30,713		36,288
Total Income		283,877		300,763
Total Expenditure		303,129		297,357
(Deficit)/Surplus for the year		(19,252)		3,406

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

**Schedule of Expenditure
For The Year Ended 31 December 2000**

	2000		1999
	£	£	£
Administration Costs			
Secretarial fee and assistance	36,177		32,837
General office expenses	5,047		4,467
Printing and stationery	857		807
Photocopying (including rental)	2,579		2,992
Telephone (including rental)	1,440		1,333
Postage and dispatching	633		1,045
Depreciation furniture and equipment	1,320		1,189
Depreciation Computer	2,812		2,241
Loss on sale fixed assets	(1,106)		-
		49,759	46,911
Property Expenses			
Rates	944		842
Property repairs at head office	13,223		12,739
Insurance	1,853		1,768
Heat and light	3,123		2,650
		19,143	17,999
Direct Charitable Expenses			
Secretarial fee and assistance	104,439		91,806
Pension costs	5,855		7,877
Printing and stationery	7,715		7,263
Telephone (including rental)	5,762		5,332
Postage and dispatching	12,027		19,862
Rates	1,753		1,564
Insurance	5,009		4,781
Awards and donations	3,418		4,528
Costs of Sheep Farmer	1,516		1,643
Advertising (incl staff recruitment)	716		235
Membership promotion	4,233		4,593
Representation and public relations	29,653		29,457
Travelling expenses and subsistence	30,263		34,611
Committee rooms and refreshments	2,758		3,195
Conferences	1,701		2,750
Vehicle expenses	4,597		1,481
Carcass units depreciation	544		681
Freehold property depreciation	2,401		2,401
		224,360	224,060
Financial and Professional Costs			
Bank charges	3,195		2,375
Bank interest paid	17		57
Professional fees	2,805		2,205
Auditors remuneration	3,850		3,750
		9,867	8,387
Total Expenses		303,129	297,357

**Regions and Ram Sales Income and Expenses
For The Year Ended 31 December 2000**

	Scottish £	Scot £	Northern £	North £	Wales & £	Wales & £	South £	South £	South £	Central £	Eastern £	Eastern £	Northern £	Total £	Total £
		Sheep		Sheep	Border	Border Ram Sale	West	West Ram Sale	East			Ram Sale	Ireland	2000	1999
Incoming Resources:															
Receipts	0	0	0	45,174	1,025	128,783	395	9,356	0	166	1,501	5,371	5,318	197,089	263,714
Interest received	515	0	1,782	490	165	3,073	356	1,398	137	0	115	3	0	8,034	12,716
Total Incoming Resources	515	0	1,782	45,664	1,190	131,856	751	10,754	137	166	1,616	5,374	5,318	205,123	276,430
Resources Expended															
Direct Charitable:															
Event exps & publicity	5,053	0	753	25,745	557	92,385	1,213	8,818	0	10	305	2,188	4,898	141,925	145,709
Misc	400	0	284	423	945	689	0	0	0	34	0	0	0	2,775	1,513
Motor, travel & haulage	0	0	4,327	850	0	0	0	550	0	187	0	71	0	5,985	15,747
Catering	0	0	0	800	0	0	0	0	0	0	0	0	0	800	0
Prizes	0	0	0	570	0	0	0	0	0	0	0	258	0	828	255
Donation	0	0	0	350	0	2,500	0	0	0	0	0	1,000	0	3,850	50
Sponsorship	0	0	0	0	150	2,480	0	0	0	0	0	0	50	2,680	2,949
First Aid cover	0	0	0	0	0	142	0	0	0	0	0	0	0	142	87
Subscription	0	0	0	0	0	6,646	0	0	0	0	0	0	0	6,646	6,226
Direct Depreciation	448	0	203	0	0	7,228	0	1,010	75	0	0	0	0	8,964	11,131
Total Direct costs	5,901	0	5,567	28,738	1,652	112,070	1,213	10,378	75	231	305	3,517	4,948	174,595	183,667
Administration costs:															
Secretary's fees	5,475	0	3,500	0	3,407	17,078	1,500	700	2,536	250	856	1,560	0	36,862	35,782
Office expenses	6,682	0	0	0	0	5,649	567	525	0	0	0	0	77	13,500	14,154
Meeting expenses	0	0	172	340	345	1,221	1,330	0	266	0	0	0	194	3,868	7,839
PP&S	0	0	680	1,285	497	1,798	0	911	765	0	160	0	0	6,096	10,237
Insurance	0	0	20	129	0	0	0	0	0	0	0	0	0	149	26
Telephone	0	0	180	0	0	1,340	0	0	0	0	0	0	0	1,520	1,335
Total Administration costs	12,157	0	4,552	1,754	4,249	27,086	3,397	2,136	3,567	250	1,016	1,560	271	61,995	69,373
Finance Costs:															
Bank charges	110	0	8	0	105	202	4	0	0	0	0	0	61	490	530
VAT at HQ	2,102	0	0	0	0	0	0	0	0	0	0	0	0	2,102	1,358
Accountancy	0	0	275	450	180	700	285	85	200	53	0	0	195	2,423	2,537
Interest on late VAT	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total Finance costs	2,212	0	283	450	285	902	289	85	200	53	0	0	256	5,015	4,425
Total Resources Expended	20,270	0	10,402	30,942	6,186	140,058	4,899	12,599	3,842	534	1,321	5,077	5,475	241,605	257,465
Surplus/(Deficit)	(19,755)	0	(8,620)	14,722	(4,996)	(8,202)	(4,148)	(1,845)	(3,705)	(368)	295	297	(157)	(36,482)	18,965

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

**Notes To The Accounts
For The Year Ended 31 December 2000**

1. Accounting policies

- a. The accounts have been prepared under the historical cost convention 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.

- b. Depreciation has been charged on freehold land and buildings in order to comply with the Companies Act 1985 and Financial Reporting Standard 15.

No further depreciation is being provided on either of the two Show Pavilions, which in past years have been written down to a net book value of £6000 each, as the Council are of the opinion that their value is considerably in excess of this amount. Subsequent additions to the Royal Welsh Pavilion have been depreciated at 5%.

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

Vehicles	25%	- Reducing Balance
Hurdles	15%-25%	- Reducing Balance
Computer	25%	- Straight Line
Furniture and Equipment	10%-25%	- Reducing Balance
Display Trailers	25%	- Reducing Balance
Carcass Display Units	20%	- Reducing Balance

- c. Stock is valued at the lower of cost or net realisable value. Cost is computed on a first in first out basis.
- d. The company has taken advantage of the exemption from preparing a cash flow statement conferred by Financial Reporting Standard No 1 on the grounds that it qualifies as a small company under the Companies Act 1985.
- e. Tangible fixed assets acquired under hire purchase contracts are capitalised at the estimated fair value at the date of inception of the contract. The total finance charges are allocated over the period of the contract in such a way as to give a reasonably constant charge on the outstanding liability.
- f. Pensions - Defined contribution scheme
Contributions are charged to the income and expenditure account as they become payable in accordance with the rules of the scheme.

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
A Company Limited By Guarantee**

**Notes to the Accounts
For The Year Ended 31 December 2000**

3. Resources expended includes:

	2000	1999
	£	£
Depreciation of owned assets	16,705	17,694
Auditors remuneration	3,850	3,750
Accountancy fees	2,520	1,890
Indemnity insurance	1,116	1,116
Bank interest	17	57
	<u>146,471</u>	<u>132,520</u>

4. Staff costs

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

	2000	1999
Direct charitable	3	3
Administration	4	4
	<u>7</u>	<u>7</u>

The costs incurred, in respect of these employees were:

	2000	1999
£	£	
Direct charitable:		
Remuneration	94,721	83,000
Social security costs	9,718	8,806
Pension costs	5,855	7,877
Administration:		
Remuneration	34,172	30,718
Social security costs	2,005	2,119
	<u>146,471</u>	<u>132,520</u>

The gross remuneration paid to the Chief Executive in the year was £50,000 (1999 £39,999); no other employee earned £40,000 or more in the year.

The directors of the association do not receive any remuneration.

Defined contribution pension scheme:

The Association operates a defined contribution scheme. The assets of the scheme are held separately from those of the association in an independently administered fund. The pension cost charge represents contributions payable to the fund and amounted to £5,855 (1999 - £7,877). There were no contributions made on behalf of directors.

The Association paid no monies to trustees during the year (1999 - none). The Chief Executive received a reimbursement of £2,088 (1999 - £1,816) in respect of carcass expenses incurred by the association.

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

**Notes to the Accounts
For The Year Ended 31 December 2000**

5. Tangible fixed assets

	Cost at 01.01.00	Additions/ (Disposals)	Cost at 31.12.00	Net Book Value	
	£	£	£	31.12.00 £	31.12.99 £
Freehold Property	240,069	-	240,069	235,268	237,668
Hurdles	83,248	218	83,466	22,268	28,574
Furniture and Equipment	36,942	2,075	39,017	6,806	6,593
Computer	39,056	5,553	44,609	11,594	9,906
Display Trailers	6,707	1,946	8,653	1,984	699
Royal Welsh Pavilion	54,430		54,430		
Royal Welsh Pavilion Grant	(13,883)	-	(13,883)	17,906	18,755
Royal Show Pavilion	31,614		31,614		
Royal Show Pavilion Grant	(11,994)	-	(11,994)	6,000	6,000
Carcass Display Units	20,283	-	20,283	2,178	2,722
	<u>486,472</u>	<u>9,792</u>	<u>496,264</u>	<u>304,004</u>	<u>310,917</u>
Depreciation					
			at 01.01.00 £	charge for year £	at 31.12.00 £
Freehold Property			2,401	2,400	4,801
Hurdles			54,674	6,524	61,198
Furniture and Equipment			30,349	1,862	32,211
Computer			29,150	3,865	33,015
Display Trailers			6,008	661	6,669
Royal Welsh Pavilion			21,792	849	22,641
Royal Show Pavilion			13,620	-	13,620
Carcass Display Units			17,561	544	18,105
			<u>175,555</u>	<u>16,705</u>	<u>192,260</u>

There was no capital expenditure contracted for at the balance sheet date (1999 - none).

Freehold property, furniture and computer equipment, as shown above, 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 £10,100 (1999 - £8,350) was received in the year.

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

**Notes to the Accounts
For The Year Ended 31 December 2000**

6. Fixed asset investments

	2000
	£
Cost	
At 1 January 2000	2
Additions	-
	<u>2</u>
At 31 December 2000	<u><u>2</u></u>

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

7. Stocks

	2000	1999
	£	£
Stock of books and promotional items	10,365	12,847
Stocks held in regions and ram sales	1,973	1,973
	<u>12,338</u>	<u>14,820</u>
	<u><u>12,338</u></u>	<u><u>14,820</u></u>

8. Debtors

	2000	1999
	£	£
At headquarters		
Trade debtors	17,900	11,576
Other debtors and prepayments	12,777	23,062
At regions and ram sales		
Other debtors and prepayments	4,928	13,297
	<u>35,605</u>	<u>47,935</u>
	<u><u>35,605</u></u>	<u><u>47,935</u></u>

9. Cash at bank and in hand

	2000	1999
	£	£
At headquarters	42,621	59,033
At regions and ram sales	216,218	229,844
	<u>258,839</u>	<u>288,877</u>
	<u><u>258,839</u></u>	<u><u>288,877</u></u>

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

**Notes to the Accounts
For The Year Ended 31 December 2000**

**10. Creditors - amounts falling due
within one year**

	2000	1999
	£	£
At headquarters		
Trade creditors	3,561	3,077
Other creditors and accruals	18,288	21,714
At regions and ram sales		
Other creditors and accruals	14,366	7,453
	<u>36,215</u>	<u>32,244</u>

11. Reserves

Unrestricted reserves

	Headquarters' Reserve	Regions & Ram Sales Reserve	Total
	£	£	£
Balance at 1 January 2000	346,031	284,276	630,307
Retained deficit for the year	(19,252)	(36,482)	(55,734)
Balance at 31 December 2000	<u>326,779</u>	<u>247,794</u>	<u>574,573</u>

Analysis of net assets between reserves

Tangible fixed assets	264,963	39,041	304,004
Fixed asset investments	2	-	2
Net current assets	61,814	208,753	270,567
Total	<u>326,779</u>	<u>247,794</u>	<u>574,573</u>

12. Related parties

The Council of Members has control of the Association. There have been no transactions with Council Members.