

REGISTERED COMPANY NUMBER: SC055423 (Scotland)

REGISTERED CHARITY NUMBER: SC007271

**REPORT OF THE TRUSTEES AND
FINANCIAL STATEMENTS
for the year ended 31 March 2018
FOR
THE BRITISH TEXEL SHEEP SOCIETY LIMITED
(A COMPANY LIMITED BY GUARANTEE
AND NOT HAVING A SHARE CAPITAL)**

THE BRITISH TEXEL SHEEP SOCIETY LIMITED

**CONTENTS OF THE FINANCIAL STATEMENTS
for the year ended 31 March 2018**

	Page
Report of the Trustees	1 to 5
Report of the Independent Auditors	6 to 8
Statement of Financial Activities	9
Balance Sheet	10
Statement of Cash Flows	11
Notes to the Financial Statements	12 to 20

THE BRITISH TEXEL SHEEP SOCIETY LIMITED

**REPORT OF THE DIRECTORS AND TRUSTEES
for the year ended 31 March 2018**

The Trustees present their report and the financial statements of the charity for the year ended 31 March 2018. The trustees have adopted the provisions of the Statement of Recommended Practice (SORP) "Accounting and Reporting by Charities" (FRS 102) in preparing the annual report and financial statements of the charity.

REFERENCE AND ADMINISTRATIVE DETAILS

Charity name:	The British Texel Sheep Society
Charity known as:	Texel Sheep Society
Charity registration number:	SC007271
Company registration number:	SC055423 (Scotland)
Registered office:	The Mechanics Workshop New Lanark Lanark South Lanarkshire ML11 9DB
Operational address:	Unit 74 4th Street Stoneleigh Park Kenilworth Warwickshire CV8 2LG

Directors / Trustees

S Richardson - President and Chairman	
R Campbell – V President and V Chairman	
A Barr – Hon Treasurer	
J Aiken	
E Bell	
G M Hill	
D R Jones	appointed 11.11.17
I P Jones	resigned 11.11.17
G Knox	
S Martin	
D J McKerrow	
P J Mitchell	
S J Smith	
W A Windsor	

Company Secretary and Chief Executive Officer

J A Yates

Our advisers

Auditors	Dafferns LLP	One Eastwood, Binley Business Park, Coventry, CV3 2UB
Bankers	The Royal Bank of Scotland	Wavertree Technology Park, Liverpool, L13 1HE
Solicitors	Lodders Solicitors LLP	10 Elm Court, Arden Street, Stratford upon Avon, CV37 6PA
Investment advisers	Sterling Financial Advisers Ltd	James House, Newport Road, Albrighton, Wolverhampton, WV7 3FA

THE BRITISH TEXEL SHEEP SOCIETY LIMITED**REPORT OF THE DIRECTORS AND TRUSTEES
for the year ended 31 March 2018****OBJECTIVES AND ACTIVITIES**

The principal activity of the Society in the year under review was that of encouraging, promoting and improving the breeding of Texel sheep. The Society assists its members in the maintenance and promotion of the breed and its influence for the advancement of the arts, heritage, culture and science. The Society consistently and regularly reviews and improves where appropriate the level of services offered to its members.

ACHIEVEMENTS AND PERFORMANCE

The Society is a leading and respected organisation within the livestock sector.

The Society has two major research projects in process. Both part funded through Innovate UK grants, in collaboration with SRUC a major research institute and ABP largescale meat processor. The Society involvement supports its business development strategy and meets with its charitable object to develop the Texel breed. The £1,374,254, "TvW" project has a focus on "Solutions for sustainable lamb production and breeding for more taste and less waste to increase food security in the UK and beyond", which will complete in January 2019. The £1,554,463 "VIA" project focuses on "carcase trait phenotype feedback for genomic selection in sheep", which will complete January 2020. Both projects have had significant interest and involvement from the supply chain.

The Boards approach to financial management is to ensure it maintains income to support necessary expenditure in key areas of the Society charitable objects. A significant rise in income and expenditure is due to the increased activity in the two R&D projects.

Income from charitable activities has risen from £773,417 to £870,932 (£97,515). Pedigree Registrations income has increased by 6% (£23,429), providing assurance of the value placed in pedigree Texel by the membership and wider industry. Whilst membership income to the Society has been maintained at £105,636, all other areas of income remain unchanged or with modest variances. The Society maintains an active role in genomics supported by the R&D programme. R&D income in the year totalled £197,398.

Expenditure has increased by 22% from £787,350 to £965,082 (£177,732), with R&D project costs totalling £397,975. Expenditure on sales & shows has decreased 22% (£18,983), which is due to improved efficiency, whilst remaining effective, with a combination of reducing print and promotional costs across all main sales. All other areas of expenditure remain unchanged or with modest variances.

Support costs have risen from £408,702 to £489,139 (£80,437), again largely influenced by the R&D projects impacting on salaries which rose from £194,222 to £228,353 (£34,131) and the associated social security costs. Legal & professional fees increased due to the engagement with professional service providers around Financial Advice, Legal and Geneticists, increasing costs from £39,081 to £56,869 (£17,788). Meeting costs associated with both governance and projects rose from £5,054 to £17,958 (£12,904) and reflects the increased activity and staffing level. Total resources expended rose from £789,905 to £967,877 (£177,972).

Net incoming resources ended with a loss of £10,959. Return on investments during the period totalled £12,029. Collectively providing a very modest net contribution to reserves for the period under review of £1,070.

Total funds carried forward total £1,044,927.

THE BRITISH TEXEL SHEEP SOCIETY LIMITED

REPORT OF THE DIRECTORS AND TRUSTEES for the year ended 31 March 2018

Financial review

The net income for the year amounted to £1,070. This amount has been added to reserves brought forward leaving fund balances of £1,044,927 at the end of the year. The trustees consider the results to be satisfactory.

Reserves policy

It is the policy of the Society to maintain unrestricted funds, that are not designated, which are free reserves of the Society of approximately eighteen months of unrestricted expenditure. This is intended to provide sufficient funds to cover management, administration and promotional costs. Free unrestricted reserves at 31 March 2018 stood at £790,501 compared with unrestricted expenditure in the year of £569,902.

Investment policy

The Board of Trustees considered the most appropriate policy for investing funds during the period to be the use of managed Share Portfolio accounts for long term investment opportunity as well as short term cash held within the Direct Reserve Account.

Plans for future periods

Maintaining core services to membership that are fit for the future is essential, if the Society is to remain successful and of purpose. The Society will increase its activity in areas of promotion & genetic improvement of the breed. Improvements in data collection and storage and the exploitation of genomic technologies for breed development are aimed at enhancing core services. These activities will require the Society's own investment and where appropriate and available, grant support will be sought and utilised for R&D activity, in collaboration with strategic partners.

STRUCTURE, GOVERNANCE AND MANAGEMENT

Governing document

The Society is a registered Charity No: SC007271. Annual Reports and accounts are submitted to the Office of the Scottish Charity Commissioners following formal approval by the membership at the Annual General Meeting. The Society is a Company limited by guarantee and not having a Share Capital, incorporated on the 10 April 1974. The Society is governed by its Articles of Association (Company No: SC055423), which includes wide investment powers. For the purposes of the Companies Act 2006 members of the Board are treated as directors for which services they receive no remuneration.

A full copy of the Society's Articles of Association is available to all members from the Company Secretary at the Society's operational address.

Organisational structure

The Board of Trustees administers the Charity. The Board meets on a regular basis. Within the Board, trustees are nominated to represent specific areas covering Breed Development, Shows, Sales and Promotions, Finance & Governance. A Chief Executive is appointed by the Board of Trustees to manage the day-to-day operations of the charity. To facilitate effective operations and accountability the Chief Executive has delegated authority, within terms of delegation approved by the trustees, for operational and strategic matters including finance and employment.

THE BRITISH TEXEL SHEEP SOCIETY LIMITED

REPORT OF THE DIRECTORS AND TRUSTEES for the year ended 31 March 2018

Recruitment and appointment of new trustees

The Articles of Association allows for the appointment of twenty trustees (Directors), with effect from October 2011, directors are eligible to serve for a period of four years and if successfully re-elected to a maximum of 12 consecutive years before having to step down for a minimum of four years prior to further re-election. The Board resolved to reduce their number to thirteen, each of which is elected by members on a regional basis. The Trustees also have the power to co-opt further members to the Board to fill specialist roles, always provided that the total Board size does not exceed twenty members. All members within the region of the retiring trustees are circulated with invitations to nominate trustees prior to the AGM. All new Trustees undergo an orientation and training day to brief them on their legal obligations and compliance under charity and company law, the content of the Articles of Association, the committee and decision-making process, the business plan and recent financial performance of the charity.

Employee involvement

The Society has a well-established structure to communicate with employees at every level and to encourage their involvement regarding the company's performance and future development.

Risk Management

The trustees continually examine the major strategic, business and operational risks which the charity faces and confirm that systems have been established to enable regular reports to be produced so that necessary recommendations can be made to lessen these risks. The trustees also consider non-financial risk arising from fire, and the health and safety aspects of the employment of its staff. A key element in the management of financial risk is the setting of a reserves policy. The Society Chief Executive meets regularly with NFU Insurance broker to discuss areas of risk and to ensure satisfactory insurance cover is provided for the Society.

STATEMENT OF TRUSTEES RESPONSIBILITIES

The trustees (who are also the directors of The British Texel Sheep Society Limited for the purposes of company law) are responsible for preparing the Report of the Trustees and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Company law requires the trustees to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the charitable company and of the incoming resources and application of resources, including the income and expenditure, of the charitable company for that period. In preparing those financial statements, the trustees are required to:-

- select suitable accounting policies and then apply them consistently;
- observe the methods and principals in the Charity SORP 2015 (FRS 102);
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue in business.

The trustees are responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and to enable them to ensure that the financial statements comply with the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and the Charities Accounts (Scotland) Regulations 2006 (as amended). They are also responsible for safeguarding the assets of the charitable company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

THE BRITISH TEXEL SHEEP SOCIETY LIMITED

**REPORT OF THE DIRECTORS AND TRUSTEES
for the year ended 31 March 2018**

STATEMENT AS TO DISCLOSURE OF INFORMATION TO AUDITORS

We, the directors of the company who held office at the date of approval of these Financial Statements as set out above each confirm, so far as we are aware, that:

- there is no relevant audit information of which the charitable company's auditors are unaware; and
- we have taken all the steps that we ought to have taken as directors in order to make ourselves aware of any relevant audit information and to establish that the auditors are aware of that information.

AUDITORS

The auditors, Dafferns LLP, will be proposed for re-appointment at the forthcoming annual general meeting.

This report has been prepared in accordance with the special provisions of Part 15 of the Companies Act 2006 relating to small companies.

ON BEHALF OF THE BOARD:

S Richardson - Chairman - Trustee

19 July 2018

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES AND MEMBERS OF THE BRITISH TEXEL SHEEP SOCIETY LIMITED

Opinion

We have audited the financial statements of The British Texel Sheep Society Limited (the 'charitable company') for the year ended 31 March 2018 which comprise a statement of financial activities, a balance sheet, statement of cash flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

This report is made solely to the charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006, and to the charitable company's trustees, as a body, in accordance with Regulation 10 of the Charities Accounts (Scotland) Regulations 2006. Our audit work has been undertaken so that we might state to the charitable company's members and trustees those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the charitable company, the charitable company's members as a body and the charitable company's trustees as a body, for our audit work, for this report, or for the opinions we have formed.

In our opinion the financial statements:

- give a true and fair view of the state of the charitable company's affairs as at 31 March 2018, and of its incoming resources and application of resources, including its income and expenditure, for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Companies Act 2006, the Charities and Trustee Investment (Scotland) Act 2005 and regulation 8 of the Charities Accounts (Scotland) Regulations 2006.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the charitable company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the trustees' use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the trustees have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the charitable company's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

**INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES AND MEMBERS OF
THE BRITISH TEXEL SHEEP SOCIETY LIMITED**

Other information

The trustees are responsible for the other information. The other information comprises the information included in the trustees' annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the trustees' report (incorporating the directors' report) for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the directors' report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of our knowledge and understanding of the charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 and the Charities Accounts (Scotland) Regulations 2006 require us to report to you if, in our opinion:

- adequate and proper accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit. ; or
- the trustees were not entitled to prepare the financial statements in accordance with the small companies' regime and take advantage of the small companies' exemptions in preparing the directors' report and from the requirement to prepare a strategic report.

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES AND MEMBERS OF THE BRITISH TEXEL SHEEP SOCIETY LIMITED

Responsibilities of trustees

As explained more fully in the trustees' responsibilities statement, set out on page 4, the trustees (who are also the directors of the charitable company for the purposes of company law) are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the trustees determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the trustees are responsible for assessing the charitable company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the trustees either intend to liquidate the charitable company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

We have been appointed as auditor under section 44(1)(c) of the Charities and Trustee Investment (Scotland) Act 2005 and under the Companies Act 2006 and report in accordance with regulations made under those Acts.

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Geoffrey Cox BA FCA (Senior Statutory Auditor)

For and on behalf of Dafferns LLP

Chartered Accountants

Statutory Auditor

Dafferns LLP is eligible to act as an auditor in terms of Section 1212 of the Companies Act 2006

One Eastwood

Harry Weston Road

Binley Business Park

Coventry

CV3 2UB

20 July 2018

THE BRITISH TEXEL SHEEP SOCIETY LIMITED
STATEMENT OF FINANCIAL ACTIVITIES
(INCLUDING INCOME AND EXPENDITURE ACCOUNT)
for the year ended 31 March 2018

	Note	Unrestricted funds £	Restricted funds £	2018 Total funds £	2017 Total funds £
INCOME FROM:					
Donated services		-	80,631	80,631	22,772
Charitable activities	3	673,534	197,398	870,932	773,417
Investment income	4	<u>5,355</u>	<u>-</u>	<u>5,355</u>	<u>6,113</u>
Total income		<u>678,889</u>	<u>278,029</u>	<u>956,918</u>	<u>802,302</u>
EXPENDITURE ON:					
Investment broker's fees		2,795	-	2,795	2,555
Charitable activities	5	<u>567,107</u>	<u>397,975</u>	<u>965,082</u>	<u>787,350</u>
Total expenditure		<u>569,902</u>	<u>397,975</u>	<u>967,877</u>	<u>789,905</u>
		108,987	(119,946)	(10,959)	12,397
Net gains / (losses) on investments		<u>12,029</u>	<u>-</u>	<u>12,029</u>	<u>102,548</u>
Net income / (expenditure) for the year	8	121,016	(119,946)	1,070	114,945
Transfer between funds		<u>(119,946)</u>	<u>119,946</u>	<u>-</u>	<u>-</u>
Net movement in funds		1,070	-	1,070	114,945
Total funds brought forward		<u>1,039,431</u>	<u>4,426</u>	<u>1,043,857</u>	<u>928,912</u>
TOTAL FUNDS CARRIED FORWARD		<u>1,040,501</u>	<u>4,426</u>	<u>1,044,927</u>	<u>1,043,857</u>

The notes on pages 12 to 20 form an integral part of these financial statements

THE BRITISH TEXEL SHEEP SOCIETY LIMITED
(REGISTERED NUMBER: SC055423 - SCOTLAND)

BALANCE SHEET
At 31 March 2018

	Note	Unrestricted funds £	Restricted funds £	2018 Total funds £	2017 Total funds £
FIXED ASSETS					
Tangible assets	12	46,416	-	46,416	32,028
Investments	13	<u>759,416</u>	-	<u>759,416</u>	<u>744,927</u>
		805,832	-	805,832	776,955
CURRENT ASSETS					
Stocks		3,682	-	3,682	4,291
Debtors	14	129,502	-	129,502	119,752
Cash at bank and in hand		<u>229,041</u>	<u>4,426</u>	<u>233,467</u>	<u>262,169</u>
		362,225	4,426	366,651	386,212
CREDITORS					
Amounts falling due within one year	15	<u>(127,556)</u>	-	<u>(127,556)</u>	<u>(119,310)</u>
NET CURRENT ASSETS		<u>234,669</u>	<u>4,426</u>	<u>239,095</u>	<u>266,902</u>
NET ASSETS		<u>1,040,501</u>	<u>4,426</u>	<u>1,044,927</u>	<u>1,043,857</u>
FUNDS					
Unrestricted funds	18			1,040,501	1,039,431
Restricted funds				<u>4,426</u>	<u>4,426</u>
TOTAL FUNDS				<u>1,044,927</u>	<u>1,043,857</u>

These financial statements have been prepared in accordance with the provisions applicable to small companies subject to the small companies regime and in accordance with Charity SORP 2015 (FRS 102).

The financial statements were approved by the Board of Trustees on 19 July 2018 and were signed on its behalf by

S Richardson - Chairman - Trustee

The notes on pages 12 to 20 form an integral part of these financial statements.

THE BRITISH TEXEL SHEEP SOCIETY LIMITED

STATEMENT OF CASH FLOWS
For the year ended 31 March 2018

	2018 £	2017 £
Cash flows from operating activities:		
Net income for the year	1,070	114,945
Adjustments for:		
Depreciation charge	40,156	21,851
(Gains) / losses on investments	(12,029)	(102,548)
Investment income	(5,355)	(6,113)
Decrease in stocks	609	978
Increase in debtors	(9,750)	(26,295)
Increase / (decrease) in creditors	<u>8,246</u>	<u>(9,168)</u>
Net cash provided by (used in) operating activities	<u>22,947</u>	<u>(6,350)</u>
Cash flows from investing activities:		
Investment income	5,355	6,113
Proceeds from sale of investments	2,795	2,555
Purchase of investments	(5,255)	(5,869)
Purchase of fixed assets	<u>(54,544)</u>	<u>(30,409)</u>
Net cash provided by / (used in) investing activities	<u>(51,649)</u>	<u>(27,610)</u>
Change in cash and cash equivalents during year	(28,702)	(33,960)
Cash and cash equivalents at beginning of year	<u>262,169</u>	<u>296,129</u>
Cash and cash equivalents at end of year	<u>233,467</u>	<u>262,169</u>

THE BRITISH TEXEL SHEEP SOCIETY LIMITED**NOTES TO THE FINANCIAL STATEMENTS****For the year ended 31 March 2018****1. General information and basis of preparation**

The British Texel Sheep Society is a private company, limited by guarantee, registered in Scotland. The address of the registered office is given in the charity information on page 1 of these financial statements. The nature of the charity's operations and principal activities was that of encouraging, promoting and improving the breeding of Texel sheep in the United Kingdom of Great Britain and Northern Ireland. The Society assists its members in the maintenance and promotion of the breed and its influence for the advancement of the arts, heritage, culture and science. The Society consistently and regularly reviews and improves where appropriate the level of services offered to its members.

The charity constitutes a public benefit entity as defined by FRS 102. The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) issued on 16 July 2014 (as updated through Update Bulletin 1 published on 2 February 2016), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102), the Charities Act 2011 and the Companies Act 2006, and UK Generally Accepted Practice as it applies from 1 January 2015.

The financial statements are prepared on a going concern basis under the historical cost convention, modified to include certain items at fair value. The financial statements are presented in sterling (£) which is the functional currency of the charity and rounded to the nearest pound.

The significant accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all years presented unless otherwise stated.

2. Accounting policies**Fund accounting**

Unrestricted funds are those available at the discretion of the Trustees in furtherance of the charitable aims of the Charity.

Designated funds comprise unrestricted funds that have been set aside by the trustees for particular purposes. The aim and use of each designated fund is set out in the notes to the financial statements.

Restricted funds are those available solely for the specific purposes of the donors.

Income recognition

All incoming resources are included in the Statement of Financial Activities (SoFA) when the charity is legally entitled to the income after any performance conditions have been met, the amount can be measured reliably and it is probable that the income will be received.

For donations to be recognised the charity will have been notified of the amounts and the settlement date in writing. If there are conditions attached to the donation and this requires a level of performance before entitlement can be obtained then income is deferred until those conditions are fully met or the fulfilment of those conditions is within the control of the charity and it is probable that they will be fulfilled.

THE BRITISH TEXEL SHEEP SOCIETY LIMITED**NOTES TO THE FINANCIAL STATEMENTS - CONTINUED****For the year ended 31 March 2018****2. Accounting policies (continued)****Income recognition (continued)**

Donated facilities and donated professional services are recognised in income at their fair value when their economic benefit is probable, it can be measured reliably and the charity has control over the item. Fair value is determined on the basis of the value of the gift to the charity. For example the amount the charity would be willing to pay in the open market for such facilities and services. A corresponding amount is recognised in expenditure.

For legacies, entitlement is the earlier of the charity being notified of an impending distribution or the legacy being received. At this point income is recognised. On occasion legacies will be notified to the charity however it is not possible to measure the amount expected to be distributed. On these occasions, the legacy is treated as a contingent asset and disclosed.

Income from trading activities includes income earned from fundraising events and trading activities to raise funds for the charity. Income is received in exchange for supplying goods and services in order to raise funds and is recognised when entitlement has occurred.

The charity receives government grants in respect of specific projects. Income from government and other grants are recognised at fair value when the charity has entitlement after any performance conditions have been met, it is probable that the income will be received and the amount can be measured reliably. If entitlement is not met then these amounts are deferred.

Investment income is earned through holding assets for investment purposes such as shares. It includes dividends and interest. It is included when the amount can be measured reliably. Interest income is recognised using the effective interest method and dividend and rent income is recognised as the charity's right to receive payment is established.

The subscription year runs to 30 September. Subscription income is accounted for on an accruals basis, with six months' income deferred at the accounting year end.

Expenditure recognition

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Expenditure is recognised where there is a legal or constructive obligation to make payments to third parties, it is probable that the settlement will be required and the amount of the obligation can be measured reliably.

Support costs allocation

Support costs are those that assist the work of the charity but do not directly represent charitable activities and include office costs, governance costs, and administrative payroll costs. They are incurred directly in support of expenditure on the objects of the charity and include project management carried out at Headquarters. Where support costs cannot be directly attributed to particular headings they have been allocated to cost of raising funds and expenditure on charitable activities on a basis consistent with use of the resources. Support costs have been allocated based on a percentage of staff time spent on each activity.

THE BRITISH TEXEL SHEEP SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

For the year ended 31 March 2018

2. Accounting policies (continued)

Tangible fixed assets

Tangible fixed assets are stated at cost (or deemed cost) or valuation less accumulated depreciation and accumulated impairment losses. Cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided at the following annual rates in order to write off each asset over its estimated useful life:

Long leasehold	5% straight line
BASCO database	33% and 10% straight line
Show equipment	33% straight line
Office equipment	33% straight line
Grant related	67% straight line

Stocks

Stocks are valued at the lower of cost and net realisable value, after making due allowance for obsolete and slow moving items.

Investments

Investments are recognised initially at fair value which is normally the transaction price excluding transaction costs. Subsequently, they are measured at fair value with changes recognised in 'net gains / (losses) on investments' in the SoFA if the shares are publicly traded or their fair value can otherwise be measured reliably. Other investments are measured at cost less impairment.

Debtors and creditors receivable / payable within one year

Debtors and creditors with no stated interest rate and receivable or payable within one year are recorded at transaction price. Any losses arising from impairment

Operating leases

Rentals payable and receivable under operating leases are charged to the SoFA on a straight line basis over the period of the lease.

Pension costs and other post-retirement benefits

The charitable company operates defined contribution pension scheme. Contributions payable to the charitable company's pension scheme are charged to the SoFA in the period to which they relate.

3. Income from charitable activities

	2018 £	2017 £
Subscriptions	105,636	105,400
Gift aid	16,869	15,575
Registrations	386,099	362,671
Performance recorded texels	38,022	-
Publications	11,308	13,620
Auctions	110,393	108,826
Breed development	1,975	5,511
Grant Income	197,398	153,709
Sundry income	<u>3,232</u>	<u>8,105</u>
	<u>870,932</u>	<u>773,417</u>

Income from charitable activities was £870,932 (2017 £773,417) of which £197,398 (2017 £158,135) was attributable to restricted funds and £673,533 (2017 £615,282) was attributable to unrestricted funds.

THE BRITISH TEXEL SHEEP SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

For the year ended 31 March 2018

4. Income from investments

	2018 £	2017 £
Dividends	5,254	5,893
Interest	<u>101</u>	<u>220</u>
	<u>5,355</u>	<u>6,113</u>

Income from investments was all attributable to unrestricted funds.

5. Analysis of expenditure on charitable activities

	Activities undertaken directly £	Support costs £	Total £
Sales, shows and publications	178,608	54,199	232,807
Registrations	23,861	242,089	265,950
Breed development	3,311	65,039	68,350
Projects	<u>270,163</u>	<u>127,812</u>	<u>397,975</u>
	<u>475,943</u>	<u>489,139</u>	<u>965,082</u>

£397,975 (2017 £210,815) of the above costs were attributable to restricted funds and £567,107 (2017 £576,535) was attributable to unrestricted funds.

6. Allocation of support costs

	Sales, shows and publications £	Registrations £	Breed development £	Projects £	Total £
Governance	3,489	15,583	4,186	-	23,258
Payroll	25,374	113,337	30,449	83,550	252,710
Travelling	5,084	22,706	6,100	14	33,904
Office costs	8,764	39,147	10,517	16,722	75,150
Leasing	438	1,956	525	-	2,919
Legal and professional	8,530	38,102	10,237	-	56,869
Other costs	197	881	237	-	1,315
Bank charges	429	1,915	514	-	2,858
Depreciation	<u>1,894</u>	<u>8,462</u>	<u>2,274</u>	<u>27,526</u>	<u>40,156</u>
	<u>54,199</u>	<u>242,089</u>	<u>65,039</u>	<u>127,812</u>	<u>489,139</u>

7. Governance costs

	2018 £	2017 £
Auditor's remuneration	5,300	5,900
Meetings	<u>17,958</u>	<u>5,054</u>
	<u>23,258</u>	<u>10,954</u>

THE BRITISH TEXEL SHEEP SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

For the year ended 31 March 2018

8. Net income / (expenditure)

Net income / (expenditure) is stated after charging the following:

	2018 £	2017 £
Depreciation – owned assets	40,156	21,851
Operating lease costs	10,217	10,545
Auditors' remuneration	<u>5,300</u>	<u>5,900</u>

9. Auditors remuneration

The auditor's remuneration amounts to an audit fee of £3,100 (2017 £3,000) and a fee for assistance with the accounts preparation of £2,200 (2017 £2,900).

10. Trustees' and key management personnel remuneration and expenses

There were no trustees' remuneration or other benefits for the year ended 31 March 2018, nor for the year ended 31 March 2017.

	2018 £	2017 £
Trustees' expenses		
Travel expenses	<u>5,582</u>	<u>6,477</u>

The total amount of employee benefits received by key management personnel is £85,257 (2017 £86,632). The Trustees consider its key management personnel to be the Chief Executive.

11. Staff costs and employee benefits

The average monthly number of employees and full time equivalents (FTE) during the year was as follows:

	2018 Ave	2018 FTE	2017 Ave	2017 FTE
Administration	6	5	6	5
Chief executive	<u>1</u>	<u>1</u>	<u>1</u>	<u>1</u>
	<u>7</u>	<u>6</u>	<u>7</u>	<u>6</u>

The total staff costs and employee benefits was as follows:

	£	£
Salaries	228,353	194,222
Social security	19,642	15,064
Defined contribution pension costs	4,715	4,040
Other employee benefits	<u>3,642</u>	<u>2,832</u>
	<u>256,352</u>	<u>216,158</u>

The number of employees who received total employee benefits (excluding employer pension costs) of more than £60,000 is as follows:

£80,001 - £90,000	<u>1</u>	<u>1</u>
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THE BRITISH TEXEL SHEEP SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

For the year ended 31 March 2018

12. Tangible fixed assets

	Long leasehold £	BASCO database £	Show equipment £	Office equipment £	Grant related £	Total £
COST						
At 1 April 2017	160,393	7,200	63,832	85,119	20,117	336,661
Additions	<u>-</u>	<u>-</u>	<u>1,176</u>	<u>10,891</u>	<u>42,477</u>	<u>54,544</u>
At 31 March 2018	<u>160,393</u>	<u>7,200</u>	<u>65,008</u>	<u>96,010</u>	<u>62,594</u>	<u>391,205</u>
DEPRECIATION						
At 1 April 2017	156,141	7,200	58,155	78,876	4,261	304,633
Charge for year	<u>4,252</u>	<u>-</u>	<u>3,676</u>	<u>4,702</u>	<u>27,526</u>	<u>40,156</u>
At 31 March 2018	<u>160,393</u>	<u>7,200</u>	<u>61,831</u>	<u>83,578</u>	<u>31,787</u>	<u>344,789</u>
NET BOOK VALUE						
At 31 March 2018	<u>-</u>	<u>-</u>	<u>3,177</u>	<u>12,432</u>	<u>30,807</u>	<u>46,416</u>
At 31 March 2017	<u>4,252</u>	<u>-</u>	<u>5,677</u>	<u>6,243</u>	<u>15,856</u>	<u>32,028</u>

13. Fixed asset investments

	Listed investments £	Unlisted investments £	Total £
MARKET VALUE			
At 1 April 2017	664,927	80,000	744,927
Purchases at cost	5,255	-	5,255
Sales proceeds	(2,795)	-	(2,795)
Revaluations	<u>12,029</u>	<u>-</u>	<u>12,029</u>
At 31 March 2018	<u>679,416</u>	<u>80,000</u>	<u>759,416</u>

Listed investments

	Cost £	Valuation £
At 31 March 2018	<u>503,770</u>	<u>679,416</u>
At 31 March 2017	<u>501,310</u>	<u>664,927</u>

Listed investments comprise the following:

	2018 £	2017 £
NFU Mutual balanced portfolio fund	406,207	395,918
Old Mutual Wealth multi-fund investment portfolio	272,909	268,709
Farmers first	<u>300</u>	<u>300</u>
	<u>679,416</u>	<u>664,927</u>

THE BRITISH TEXEL SHEEP SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

For the year ended 31 March 2018

13. Fixed asset investments (continued)

The company's investments at the balance sheet date in the share capital of companies include the following:

BASCO Data Limited

Country of incorporation: England and Wales

Nature of business: Development of Livestock Systems

	%
Class of shares:	holding
Ordinary	100

	2018	2017
	£	£
Aggregate capital and reserves	108,038	113,477
(Loss) for the year	<u>(5,439)</u>	<u>(1,810)</u>

On 2 February 2018, The British Texel Sheep Society acquired 160,000 shares from the other two shareholders at no cost.

The investment in BASCO Data Limited, at a cost of £80,000, is matched by the designated BASCO fund in reserves

Sundry listed investment

The company holds a small listed investment of 300 ordinary 50p shares in Farmers First plc. This company is incorporated in the United Kingdom and registered in England and Wales. Its Principal activity is to give assistance to UK livestock producers. The market value of these shares at the year end is not materially different to the cost of £300.

14. Debtors

	2018	2017
	£	£
Amounts falling due within one year:		
Trade debtors	43,573	39,511
Value added tax	3,980	3,819
Other debtors	43,890	30,382
Gift aid	16,844	15,575
Prepayments	<u>21,215</u>	<u>30,465</u>
	<u>129,502</u>	<u>119,752</u>

15. Creditors: amounts falling due within one year

Trade creditors	42,544	29,143
Social security and other taxes	177	5,612
Other creditors	3,335	-
Deferred income - subscriptions	53,675	49,800
Accruals	<u>27,825</u>	<u>34,755</u>
	<u>127,556</u>	<u>119,310</u>

THE BRITISH TEXEL SHEEP SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

For the year ended 31 March 2018

16. Operating leases

Total future minimum lease payments under non-cancellable operating leases are as follows:

	2018 £	2017 £
Not later than one year	8,522	10,217
Later than one and not later than five years	10,305	16,615
Later than five years	<u>36,305</u>	<u>38,517</u>
	<u>55,132</u>	<u>65,349</u>

17. Related party transactions

The Society holds an investment of 100% of the issued ordinary share capital of BASCO Data Limited

£

During the year the Society received from BASCO Data Limited:

Sale of recharged costs 2,074

And the Society paid to BASCO Data Limited:

Transaction and Texel specific enhancement charges 34,412

There were no other material related party transactions during the year.

18. Movement in funds

	At 1.4.2017 £	Net movement in funds £	Transfers £	At 31.3.2018 £
Unrestricted funds				
General fund	789,431	121,016	(119,946)	790,501
Designated fund - BASCO	150,000	-	-	150,000
Designated fund - Breed development	<u>100,000</u>	-	-	<u>100,000</u>
	<u>1,039,431</u>	<u>121,016</u>	<u>(119,946)</u>	<u>1,040,501</u>
Restricted funds				
Taste v Waste project	-	14,953	(14,953)	-
VIA project	-	(134,899)	134,899	-
Eastern Texel Breeders Club	<u>4,426</u>	-	-	<u>4,426</u>
	-	<u>(119,946)</u>	<u>119,946</u>	<u>4,426</u>
TOTAL FUNDS	<u>1,043,857</u>	<u>1,070</u>	-	<u>1,044,927</u>

THE BRITISH TEXEL SHEEP SOCIETY LIMITED

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

For the year ended 31 March 2018

18. Movement in funds (continued)

Net movement in funds, included in the above are as follows:

	Incoming resources £	Resources expended £	Gains and losses £	Movement in funds £
Unrestricted funds				
General fund	<u>678,889</u>	<u>(569,902)</u>	<u>12,029</u>	<u>121,016</u>
Restricted funds				
Taste v Waste project	178,308	(163,355)	-	14,953
VIA project	99,721	(234,620)	-	(134,899)
Eastern Texel Breeders Club	-	-	-	-
	<u>278,029</u>	<u>(397,975)</u>	<u>-</u>	<u>(119,946)</u>
TOTAL FUNDS	<u>956,918</u>	<u>(967,877)</u>	<u>12,029</u>	<u>1,070</u>

19. Purpose of funds

The BASCO fund of £150,000 is an unrestricted designated fund, created for the purpose of supporting the initial investment of £80,000 and the provision of a loan of £70,000 for BASCO Data Limited for database development and support of online services. The original loan of £70,000 made in 2007 has been repaid.

The Breed Development fund is an unrestricted designated fund, created for the purpose of supporting genetic improvement of the breed.

Three separate restricted funds have been created for the purpose of managing the specific research projects each funded separately and in part by Innovate UK grants. Project, 1. Taste Vs Waste, Project 2. VIA Project and Project 3. Horizon2020 SMARTER Project

Eastern Texel Breeders Club Committee closed their Club in 2017. This was a separate organisation not affiliated to the Texel Society. A restricted fund of £4,426 has been set up for the purpose of supporting the Clubs constitution which states "in the event of the clubs closure for any reason any credit of money shall be transferred to the funds of the British Texel Sheep Society for them to hold for a reasonable time in the hope that the club would be reformed at a future date".