

# Annual Report & Accounts

For the year ended 31 December 2017



**holstein UK**  
holstein & british friesian





## Officers Of The Society

President - Mr D Perry

Chairman - Mr A Birkle

### Registered Office

Speir House, Stafford Park 1,  
Telford, Shropshire TF3 3BD

## Advisors To The Society

### Auditors

Cox Costello & Horne  
Chartered Accountants and Statutory Auditors  
4th & 5th Floor, 14-15 Lower Grosvenor Place,  
London SW1W 0EX

### Bankers

Barclays Bank Plc, 32 Clarendon Road, Watford,  
Hertfordshire WD1 1LO

### Fund Managers

Close Brothers Asset Management  
10 Exchange Square, Primrose Street, London  
EC2A 2BY

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Photography by Han Hopman, Lucinda Morgan, Richard Hodgson and Sian Mercer

Front page (top to bottom)  
European Young Breeders School 2017; UK Dairy Day Senior  
Championship 2017 ;ABAB Calf Show Champion Calf 2017; Dick  
Stapleton, Lifetime Achievement Award winner 2017; President's  
Medal winners 2017

Back page (top to bottom)  
Celebration 2017 Herd Visit; Classifier on farm; Stockman at UK Dairy  
Day 2017; CIS Area Manager on farm; CIS laboratory

## PRESIDENT'S REPORT

### DAVID PERRY (KILLANE)

It has been a huge privilege and a massive honour to have been your President for the past year. Both Beatrice and I have certainly had a year we'll never forget - the hospitality shown and friendships we have forged have been terrific, so we thank you for your support.

I would like to thank the Holstein NI Club for nominating me, the Board for their election and all the HUK staff for their help and guidance, especially Hannah Williams and, lately, Sarah Pope for organising all the travel. I have seen many incredible cows, met inspirational breeders, attended fantastic events and social occasions on both sides of the Irish sea while crossing over it around 50 times!!

The year started with the National Competitions Day in sunny July with the Young Breeders showing great enthusiasm. Their eagerness and passion to learn, develop and compete is outstanding and very promising for the whole dairy industry. At the same time tremendous fun was had at all HYB events, be it the Weekend Rally in NI or the ABAB Calf Show. I was part of the judging panel for both the Littlestar and President's Medal Awards and it really was a privilege to meet and judge these aspiring young breeders. Congratulations to the two winners, Laura Barrett (Littlestar) and Helen Eastham (President's Medal), but also congratulations to all those who entered.

Attending the major shows provides members with the opportunity to research new ideas, enjoy the judging of top quality cows and, of course, socialise with like-minded people. Nothing provides a better platform for this than UK Dairy Day, which is fast becoming a must-attend event for all those connected to the dairy supply chain. We should congratulate the organisers, exhibitors and the trade stands that make it the real showpiece that it is. I also had the pleasure to present the Master Breeder Awards and the Premier Pedigree Herd Competition regional winners, with the national winner being the Bocclair herd. Dick Stapleton was awarded with the Lifetime Achievement Award on the day, given in recognition for his many years of service to the industry.

These are all fantastic achievements and congratulations must go to all those involved.

We have enjoyed numerous Club dinners all over the country, sampling the uniqueness and diversity of Clubs and meeting many interesting people. This has been one of the most enjoyable parts of my role, with many new friendships formed and old ones renewed. We must not forget that members and their Clubs are the life blood of our Society and you are shaping the future of our dairy industry.

Holstein UK has had a major reorganisation of staff this year, with Sue Cope being appointed as the new CEO. I would like to congratulate and wish her well in her new role. Sue has come up through the Society, breeding Holsteins, running HYB and latterly running CIS. The Society could not be in more capable hands!

In conclusion I must thank my family for their support over this busy period, especially my brother Austin.

All that remains is to wish Peter Waring, the incoming President, all the very best for next year. I am sure Peter and Judith will enjoy it as much as we have - it really is a once in a lifetime opportunity.

David Perry  
01 May 2018



All Breeds All Britain Calf Show 2017 Senior Showmanship



# CHAIRMAN’S REPORT

## ANDREW BIRKLE (WHINCHAT)

As Chairman of the Society, I take pleasure in reporting on what has been a progressive twelve months. Whilst the dairy industry has experienced a turbulent time, we must thank you, our members, for your continued support. Your commitment to Holstein UK demonstrates your determination to make our industry thrive.

During my first six months as Chairman, myself and the Board of Trustees have experienced some challenges, calling for tough decisions to be made. I can, however, assure you that the Society is now in a positive and stable position.

Financially it has been a transitional year, but we are excited about the future. The sale of Scotsbridge House (SBH) has, understandably, incurred some considerable expenses, but we are pleased with progress. The relocation to Telford has incurred some one-off costs, but these have helped the transition occur as seamlessly as possible for our members. We now own a purpose-built facility, which has increased the office footprint to accommodate an extra 25 staff.

In 2017 we have continued to support our members with a 5% reduction in registration costs and 50% off the Whole Herd Grade Up service. We have also held milk recording and type classification prices for a third and fourth year respectively. Promotional offers have proved successful overall. Whilst promotions have slightly impacted on annual revenue, they have secured and grown new business, with 246 herds gained. This is a major injection to long-term revenue and sustainability. We have also heavily invested in refining our services, with improvements made to our online and IT infrastructure.

The Type Classification Service (TCS) has progressed under the leadership of our Head of Breed Development, Meurig James. We are classifying eight dairy and nine non-dairy breeds, demonstrating the success of the launch under the NBDC banner. Beef classification is increasing, and the team have worked hard promoting the benefits to breed societies. Subsequently, we have appointed a Beef Classifier, Tina Russell.

The Trustees have placed emphasis on research and development, which must play a key role going forward. We have explored ways to improve the promotion of Holstein and British Friesian genetics to the industry. We have a wealth of historical and current data, showing trends across the dairy sector. This has streamlined our strategy for breed development.

The Cattle Information Service (CIS) has had another outstanding year under the leadership of Sue Cope as Managing Director. An additional 225,000 milk samples were analysed and health testing increased throughout the year, equating to 5% and 11% growth respectively on 2016. We also gained 212 customers.

UK Dairy Day (UKDD) saw record-breaking attendance of over 9,000 visitors, an 8% increase on 2016. The event hosted the National Ayrshire Show for the first time. Alongside the National Holstein Show and four other breed classes, this made for a remarkable display of cattle. Over 300 trade stands and 40 sponsors supported UKDD, and we are delighted to have such a valuable event in our portfolio.

Marketing remains a fundamental part of our strategy and enables us to promote the fantastic work of the Society. Attending events is an

important part of our networking and development platform, and I have enjoyed meeting members, old and new, across the UK.

Holstein Young Breeders (HYB) demonstrates how positive the future is with such dedicated young people in our industry. I enjoyed a trip to Northern Ireland to the Weekend Rally, which saw 166 members from 18 Clubs attend. The All Breeds All Britain (ABAB) Calf Show saw a strong entry of cattle across seven dairy breeds. Winner of the Littlestar Award was Laura Barrett, whilst the Dick Stapleton Award went to Richard Armstrong. The President’s Medal Award saw a host of strong entries. The shortlisted candidates, Helen Eastham, Lucy Taylor and Tom Lomas, attended the Semex Conference, where Helen Eastham was crowned the winner.

We showcased our young breeders internationally at the European Young Breeders School (EYBS), Belgium, and Open Junior Show, Italy. We also introduced the Australian Exchange programme, which saw Andrew Patton travel to Australia and Emma Algie visit the UK, where she was kindly hosted by many of our members.

In memory of Lancashire HYB member, Louise Hartley, we were honoured to launch the Louise Hartley Award. The winner, William Horsley, will now participate in an international trip or dairy manager event, in association with Alta Genetics.

I would like to take this opportunity to congratulate Sue Cope on her appointment as Chief Executive Officer (CEO) of the Holstein UK Group. The selection places the Group in a very strong position to take the business forwards, and Sue’s knowledge of the industry is a major asset. The Board of Trustees is looking forward to working with both Sue and the senior management team.

The last twelve months have been busy for me as Chairman and I would like to thank my wife Mimi and family for their continued support. I would also like to thank the Trustees for their hard work and clear vision for the future. Special thanks must go to my predecessor, Andrew Dutton, who worked extremely hard throughout his term as Chairman. Also, thanks must go to all staff, who continue to show commitment and drive.

On behalf of the membership, staff and Trustees, I would like to thank David and Beatrice Perry for their dedication in promoting the Society through their presidential duties. They have been wonderful advocates for the breed and our industry, and I hope they have enjoyed their time with us.

Andrew Birkle  
01 May 2018



# REPORT OF THE TRUSTEES

## TRUSTEES’ REPORT

The trustees, who are also directors of the charitable company for the purposes of the Companies Act 2006, submit their annual report and the audited financial statements for the group for the year ended 31 December 2017.

**REFERENCE AND ADMINISTRATIVE DETAILS**

**Registered Company Number** 3674328 (England and Wales)

**Registered Charity Number** 1072998

**Registered Office**  
Speir House, Stafford Park 1, Telford, Shropshire TF3 3BD

**Trustees**  
The trustees who served during the period were:-

<b>ELECTED 2008</b>	Mr J D Jamieson <small>Retired 29.06.17</small>	Scotland
<b>ELECTED 2009</b>	Mr J Cousar	Scotland
	Mr A J Dutton	North Midlands
<b>ELECTED 2010</b>	Mr A Birkle	East Midlands
	Mr C Smith	Lancashire
<b>ELECTED 2011</b>	Mr A R Jones	North Wales
	Mr S J Brough	Northern
<b>ELECTED 2012</b>	Mr I R Morgan	South Wales
	Mrs J Targett	Southern
	Mr E Griffiths	Yorkshire
<b>ELECTED 2014</b>	Mr M Nutsford	North Western
	Mr M Smale	Far Western
<b>ELECTED 2016</b>	Mr P Prior	South East & Eastern
	Mr M McLean	*Northern Ireland
<b>ELECTED 2017</b>	Mr S Pirie <small>From 29.06.17</small>	Scotland
	Mr D Jones <small>From 29.06.17</small>	West Midlands

\* Mr W Gregg is currently representing Mr M McLean

**Chief Executive Officer**  
Sue Cope

**Website**  
www.ukcows.com

**Secretary**  
Melanie Harmitt

**STRUCTURE, GOVERNANCE AND MANAGEMENT**

**Structure and Management**  
Holstein UK (the charity) is a company limited by guarantee (not having a share capital) and is a registered charity. It is governed by a Board of Trustees (the Board). The Board sets strategic direction and ensures the charity achieves its objectives. It oversees governance and is responsible for upholding the charity’s values. It is supported by five committees (Finance, Show & Sale, Science, Scotsbridge House Sale and Operations) to which it delegates certain authorities. The day-to-day running of the charity is the responsibility of the Executive Team.

**The Board**  
The Board oversees a robust governance framework. The charity’s governance complies with the Code for the Voluntary and Community Sector endorsed by the Charity Commission, and with other best practice guidelines. It has agreed a schedule of matters reserved to the Board which includes approval of annual budgets. It delegates operational responsibility for the charity’s activities to the Chief Executive and Executive Team and provides advice, guidance and support on an on-going basis. Fourteen trustees comprised the Board at 03 May 2017. All trustees are members of the charity and directors of the charitable company. During the reporting period there were 7 (2016: 6) trustees’ meetings, which achieved an 85% (2016: 88%) attendance. The individual trustees percentage attendance for the reporting period was as follows: A Birkle 100%, S Brough 86%, J Cousar 100%, A Dutton 100%, E Griffiths 71%, J Jamieson 67%, A Jones 86%, D Jones 100%, M McLean/W Gregg 100%, I Morgan 71%, M Nutsford 57%, S Pirie 100%, P Prior 71%, M Smale 86%, C Smith 71%, J Targett 100%. The amount of expenses reimbursed to trustees during the reporting period was £45,300 (2016: £28,120).

**Appointment of New Trustees**  
In this reporting period, the Articles of Association allowed for the appointment of up to 16 trustees, who were eligible to serve for a period of four years. The trustees also had the power to co-opt three members to the Board to fill specialist roles. Co-opted members are appointed on an annual basis at each subsequent Annual General Meeting (AGM). All members within the region of the retiring trustees are invited to nominate trustees prior to the AGM.

**Induction and Training of New Trustees**  
The trustees offer a wide range of skills and experience essential to the good governance of the charity. New trustees undergo an orientation day to brief them on their legal obligations under charity and company law, the content of the Memorandum and Articles of Association, the committees and decision making process, the business plan and recent financial performance of the charity. During the induction day, trustees meet key employees of the charity. Trustees are encouraged to attend

appropriate external training events where these will facilitate the performance of their role.

**Committees**

All trustees serve on at least one committee. The committees are delegated specific responsibilities by the Trustees. They provide counsel, expertise and support to the Executive Team. Committees undertake an evaluation of their own performance on a periodic basis and use any feedback to support improvements in the overall governance of the charity.

**Executive Team**

The Executive Team is responsible for the day-to-day running of the charity under authority delegated by the Board. It proposes to the Board where the charity should invest its time, money and expertise. It reviews with the Board any changes to strategy on an annual basis. It proposes an annual operating budget to the finance committee and the Board for approval and monitors financial performance accordingly. It recommends any changes to budget in light of performance to date. The Executive Team comprises of the following key employees: Chief Executive Officer, Chief Finance Officer, Head of Events & Marketing, Head of HR, Head of IT, and Head of NBDC & Breed Development, and for CIS, Head of Field Services and Head of Laboratory.

**Members**

The charity's constitution allows for the appointment of members and has no restriction on member numbers. They are entitled to attend all general meetings, including the AGM, where they receive the annual report and accounts and elect or re-elect trustees. Regular contact is maintained with members, mainly through the bi-monthly magazine "The Journal".

**Financial Statements**

The audited consolidated financial statements comply with the Statement of Recommended Practice (SORP) – Accounting and Reporting by Charities as revised in 2005, the Charities Act 2011, the Companies Act (2006), Charities (Accounts and Reports) Regulations 2008 and Charities SORP – FRS 102. The trustees' report (including the strategic report) and financial statements are submitted to the Charity Commission following approval by the membership at the AGM.

**Charity Status**

The charity has no restriction on member numbers. There are currently 6,209 members, of which 15 are trustees. Each member guarantees to contribute up to one pound sterling (£1) to the charity's debts, liabilities and costs in the event of the charity being wound up and for one year after ceasing to be a member.

**Governing Document**

The charity incorporated on 25 November 1998 and is governed by its Memorandum and Articles of Association.

**OBJECTIVES AND ACTIVITIES**

**Objectives**

The objectives of the charity are to support the development of the UK dairy industry by focusing on breeding pedigree Holstein and British Friesian cattle in the United Kingdom. The society also supports other charities working in the dairy industry through the provision of services in support of their objectives. As a member organisation, Holstein UK represents the views of its members to those with influence or interest in dairying for the further interest of the industry.

In setting out our aims and objectives the trustees have given careful

consideration to the Charity Commission's general guidance on public benefit and in particular to its supplementary public benefit guidance on the advancement of animal welfare, the advancement of environmental protection or improvement and the advancement of education, and fee charging. The charity aims to increase the efficiency of dairy cattle, specifically Holstein and British Friesian breeds, in a sustainable manner consistent with the advancement of animal welfare and environmental protection.

Membership of the charity is available not only to those whose interests are in the husbandry of Holstein and British Friesian cattle but the wider public. Within the categories of membership there is a junior section for those aged up to 27 years of age with similar interests to those above and again this section is not restricted. The charity also offers a reduced associate membership for those who wish to maintain a communication with the charity. The trustees do not consider the membership fees for the above categories restrictive. Trustees are levied with the same fees for services as those incurred by other members of the charity.

**Activities**

The principal activity of the charity is that of the promotion of the Holstein and British Friesian breeds and the recording and maintenance of pedigree records for the benefit of charity members.

The charity has continued to undertake registrations of animals, registering 192,625 females during the full year January to December 2017 (2016: 187,169). The charity has established processes for its members, one of which authenticates parentage via DNA samples. The charity continues to explore technological advances in the collection and analysis of genetic, genomic and phenotypic data and is working with other industry bodies to further improve the accuracy of such measurements. The charity has an on-going project to monitor the total number of tests undertaken to ensure acceptable compliance levels.

During the full year January to December 2017, the charity undertook 124,294 (2016: 124,117) inspections of animals which were assessed on 20 varying traits. The results of these assessments were published in the charity's Journal and are freely available to view on the charity's website. The traits collected are also used for research purposes. The assessments are acknowledged by the industry for independent use in the valuation of animals.

The charity's trading subsidiaries are actively involved in disease testing and record a number of on farm events both on a compulsory and optional basis. During the reporting period significant investment has again been made to enhance the capabilities for widening the number and variety of tests available, and UKAS accreditation has been obtained for a number of these tests. The charity encourages, wherever possible, the inclusion of regular health and welfare programs for monitoring of the herd.

The charity is committed to hosting events that share knowledge throughout the dairy industry . UK Dairy Day, Holstein Celebration, HYB Weekend Rally and The All Breeds All Britain Calf Show, are proven examples of events that contain educational, networking and marketing opportunities.

The charity has made representations and responded on a number of matters relating to dairy industry within national and devolved Governments and other bodies. Information is available to the wider community via the charity's website [www.holstein-uk.org](http://www.holstein-uk.org) and via its trading subsidiaries [www.thecis.co.uk](http://www.thecis.co.uk) and [www.nbdc.uk](http://www.nbdc.uk).

**STRATEGIC REPORT**

**Investment Performance**

Under the Memorandum and Articles of Association, the charity has wide powers to invest at the discretion of the trustees. The investment policy is designed to support the reserves policy. The charity seeks to adopt a cautious, prudent and well-diversified investment stance to balance potential returns with appropriate levels of risk.

The charity's aim is to ensure that reserves maintain a real value across an investment cycle. Charles Stanley & Co. managed the reserves on a discretionary basis until June 2017 with responsibility transferring to Close Brothers Asset Management for the remainder of 2017. The portfolio was invested in a range of securities in line with levels agreed by the charity.

The charity ensures that performance is managed against appropriate benchmarks. The income from investments for the year was £30,543 (2016: £25,183) and investment gains totalled £120,660 (2016: £161,426). Across the asset classes, returns were generally in line with benchmarks. A review of the policy is conducted every year.

**Reserves Policy**

Our reserves policy is set to ensure our work is protected from the risk of disruption at short notice due to a lack of funds, whilst at the same time ensuring we do not retain income for longer than required.

It is the policy of the charity to maintain unrestricted funds, which are free reserves of the charity. The purpose of maintaining unrestricted funds is to cover:

- administration and support costs for the charity
- designated projects to be undertaken when appropriate
- sufficient promotion of its objects

A substantial proportion of the reserves are held in property and assets other than 'managed cash and investments'. At the reporting date, assets represented by Net Current Assets represented on average -1 (2016: 5) weeks running costs. Assets which could be reasonably realised represented 48% (2016: 55%) of annual running costs. The trustees consider it prudent that unrestricted reserves should be sufficient:

- to avoid the necessity of realising fixed assets held for charity's use
- to cover one year's administration and support costs

The reserves policy is kept under periodic review and reserves levels will be adjusted as perceptions of risk and other factors change.

**Financial Position**

The annual accounts presented are the report on the year to December 2017.

The financial performance for the group during the twelve months to December 2017 showed the impact of the wider issues facing the dairy industry.

The charity's principal funding sources are: voluntary income (membership, registration and classification income contribute mainly to this), investment income (through properties held by the charity for rent and return on shares via dividends) and profit from trading subsidiaries which undertake various activities including health testing, milk recording and other farm events.

Group consolidated income for the year totalled £10,328,593 (2016: £9,566,320). On a like-for-like comparative basis, income is up 8%. The relocation of staff to Speir House to enable the future sale of

Scotsbridge House has resulted in significant additional costs in 2017 which has resulted in a significant deficit of £624,817 (after revaluation of fixed assets).

In 2017, the Group fell victim to a £300k employee fraud. The fraud was detected quickly due to rigorous financial management reporting processes in place and a prosecution is pending. The Charity had in place two insurance policies which have resulted in a full recovery of the money taken excluding insurance excess. The fraud has had no impact on the 2017 loss position but as the insurance money was only received in early 2018 cash has been impacted. A full external audit fraud risk assessment was undertaken in November 2017 to test processes introduced after the fraud was discovered and the Charity was found to have very effective processes in place.

As a result of a decision in the previous year the Centre for Diary Information Ltd ceased to trade and a new subsidiary, National Bovine Data Centre Ltd, was set up and began trading. In its first year of operation, a deficit of £207,035 was recorded. It is expected that this will shortly return surpluses for the charity.

The Cattle Information Service Ltd (CIS) continued once again to contribute with Surpluses of £531,121 (2016: £761,135) gift aided to the charity.

**Principal Risks and Uncertainties**

The Board have examined 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 reduce these risks. The Board also considers non-financial risks arising from fire, and health and safety aspects of the employment of its staff. The finance committee regularly reviews the risk register, discussing the risks faced by the charity and the mitigating actions taken to manage these risks. The risk management approach is reviewed annually by the Board.

**Plans for the Future**

The charity will continue to promote and encourage the breeding of Holstein and British Friesian cattle within the UK dairy herd. Where appropriate, links with other industry bodies will continue to achieve the charity's objectives. Centralising information and data for the beneficial improvement of the dairy breeds and the promotion of holistic management systems for dairy cattle will be a key objective.

The expansion of health and welfare testing within the UK and collection of on-farm data for research purposes to improve the charity's services to its members remains a key feature of the trustees' plans.

The charity will undertake research into future trends in dairy cattle breeding and management and will disseminate these results to its members and the wider industry. The charity will maintain its position as the pre-eminent source of independent dairy cattle breeding information in Europe.

The charity is very aware of the issues facing the dairy industry and the need to develop the next generation of pedigree farmers, fully equipped to be successful in a rapidly changing industry. The charity will continue to invest in its Holstein Young Breeders scheme to ensure that future dairy farmers will continue to enjoy success.

The charity has recently captured member opinion regarding the benefits of registered cattle, membership activities and future challenges. The feedback received will go towards the future strategy for the Holstein UK group.



STATEMENT OF TRUSTEES’ RESPONSIBILITIES

The trustees (who are also directors of Holstein UK for the purposes of company law) are responsible for preparing the Report of the Trustees (including the Strategic Report) 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 Holstein UK, the charitable company, and of the group and of Holstein UK’s and the group’s incoming resources and application of resources of the charity for that period. In preparing these financial statements, the trustees are required to:

- select suitable accounting policies and then apply them consistently;
- observe the methods and principles in the Charities SORP;
- 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; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the charitable company will continue to operation.

The trustees are responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the charitable company and of the group to enable it to ensure that the financial statements comply with the Companies Act 2006, and the provisions of the charitable constitution. The trustees are also responsible for safeguarding the assets of Holstein UK, the charitable company, and of the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

DISCLOSURE OF INFORMATION TO THE AUDITOR

Each of the trustees at the time when the Report of the Trustees is approved under Section 418 of the Companies Act 2006 has confirmed that:

- so far as that trustee is aware, there is no relevant audit information of which the charitable company’s auditor is unaware; and
- that trustee has taken all steps that ought to have taken as a trustee in order to be aware of any information needed by the charitable company’s auditor in connection with preparing their report and to establish that the charitable company’s auditor is ware of the that information.

The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the Holstein UK’s website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

AUDITOR

During the year, Cox Costello & Horne was reappointed as auditor of the charitable company. In accordance with Section 485 of the Companies Act 2006, a resolution is to be proposed at the forthcoming Annual General Meeting for the reappointment of Cox, Costello and Horne as auditor of the charitable company for the ensuing year.

The Report of the Trustees (including the Strategic Report) were approved by the Board of Trustees on the 1st May 2018 and authorised to be signed on its behalf by:

  
Mr A C Birkle - Chairman  
01 May 2018

REPORT OF THE INDEPENDENT AUDITORS

Opinion

We have audited the financial statements of Holstein UK (the ‘parent charitable company’) and its subsidiaries (the ‘group’) for the year ended 31 December 2017 which comprise the consolidated statement of financial activities, the group and parent charitable company balance sheets, the consolidated statement of cash flows and the 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 (United Kingdom Generally Accepted Accounting Practice), including Financial Reporting Standard 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ United Kingdom Generally Accepted Accounting Practice).

In our opinion the financial statements:

- give a true and fair view of the state of the group’s and of the parent charitable company’s affairs as at 31 December 2017 and of the group’s 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 and the Charities Act 2011.

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 group 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 group’s or parent 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.

Other information

The trustees are responsible for the other information. The other information comprises the information included in the report of the trustees, including the strategic 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 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.

Opinion 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 report of the trustees, including the strategic report, for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the report of the trustees, including the strategic report, has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the group and the parent charitable company and its environment obtained in the course of the audit, we have not identified material misstatements in the report of the trustees, including the strategic report.

We have nothing to report in respect of the following matters where the Companies Act 2006 or Charities Act 2011 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the parent charitable company, or returns adequate for our audit have not been received from branches not visited by us; or
- the parent charitable company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of trustees’ remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF HOLSTEIN UK

Responsibilities of trustees

As explained more fully in the statement of trustees’ responsibilities set out in the report of the trustees, the trustees (who are also the directors of the parent 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 group's and the parent 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 group or the parent charitable company or to cease operations, or have no realistic alternative but to do so.

Our responsibilities for the audit of the financial statements

This report is made solely to the parent charitable company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the parent charitable company's members those matters we are required to state to them in an auditors' report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the parent charitable company and the parent charitable company's members as a body, for our audit work, for this report, or for the opinions we have formed. We have been appointed auditors under the Companies Act 2006 and section 151 of the Charities Act 2011 and report in accordance with 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 auditors' 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.

As part of an audit in accordance with ISAs (UK), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional

- omissions, misrepresentations, or the override of internal control;
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the group's internal control;
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the trustees;
- Conclude on the appropriateness of the trustees' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the group's or the parent charitable company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in the auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of the auditor's report. However, future events or conditions may cause the group or the parent charitable company to cease to continue as a going concern;
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for the audit opinion.

Mr Michael F Cox FCA (Senior Statutory Auditor)  
for and on behalf of Cox Costello & Horne  
Chartered Accountants and Statutory Auditors  
4th & 5th Floor, 14-15 Lower Grosvenor Place  
London, SW1W 0EX  
01 May 2018

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

(incorporating an income and expenditure account)

FOR THE YEAR ENDED 31 DECEMBER 2017

		Year Ended 31.12.17 Unrestricted funds	Year Ended 31.12.16 Total funds
	Notes	£	£
INCOME			
Donations	3	16,802	-
Charitable activities			
Holstein society services	4	2,616,952	3,184,441
Other trading activities			
Commercial trading operations	5	7,542,560	6,270,391
Investment income	6	152,279	111,488
Total income		10,328,593	9,566,320
EXPENDITURE			
Raising funds			
Commercial trading operations		6,998,505	4,898,312
Charitable activities			
Holstein society services	7	4,180,813	4,692,367
Total expenditure		11,179,318	9,590,679
Gains on investments		120,660	173,332
NET INCOME/(LOSS)		(730,065)	148,973
Other recognised gains/(losses)			
Gains on revaluation of fixed assets		105,248	2,659,783
Net movement in funds		(624,817)	2,808,756
RECONCILIATION OF FUNDS			
Total funds brought forward		13,721,245	10,912,489
TOTAL FUNDS CARRIED FORWARD		13,096,428	13,721,245

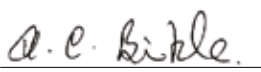
All of the above results are derived from continuing activities. There were no other recognised gains or losses other than those stated above.

# CONSOLIDATED AND CHARITY BALANCE SHEETS

AS AT 31 DECEMBER 2017

		Group 31.12.17 Unrestricted funds	Group 31.12.16 Unrestricted funds	Charity 31.12.17 Total funds	Charity 31.12.16 Total funds
	Notes	£	£	£	£
FIXED ASSETS					
Intangible assets	13	871,133	590,839	871,133	590,839
Tangible assets	14	9,147,322	8,975,052	8,347,988	7,615,774
Investments					
Investments	15	1,340,217	1,138,018	2,106,202	1,911,344
Investment property	16	2,000,000	2,011,059	2,000,000	2,611,059
TOTAL FIXED ASSETS		13,358,672	12,714,968	13,325,323	12,729,016
CURRENT ASSETS					
Stocks	17	77,383	103,020	-	-
Debtors	18	2,009,752	1,731,043	1,340,322	1,426,470
Cash at bank and in hand		19,649	245,986	13,719	118,115
TOTAL CURRENT ASSETS		2,106,784	2,080,049	1,354,041	1,544,585
LIABILITIES					
Creditors: falling due within one year	19	(2,369,028)	(1,073,772)	(1,213,982)	(390,434)
NET CURRENT (LIABILITIES)/ASSETS		(262,244)	1,006,277	140,059	1,154,151
TOTAL NET ASSETS		13,096,428	13,721,245	13,465,382	13,883,167
THE FUNDS OF THE CHARITY					
Unrestricted funds	23	5,498,068	6,228,133	5,867,022	6,390,055
Revaluation reserve	23	7,598,360	7,493,112	7,598,360	7,493,112
TOTAL CHARITY FUNDS		13,096,428	13,721,245	13,465,382	13,883,167

Approved by the trustees on 1st May 2018 and signed on their behalf by:



Mr A C Birkle – Chairman

Registered Company Number 3674328 (England and Wales) Registered Charity number 1072998

# CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

		Year Ended 31.12.17	Year Ended 31.12.16
	Notes	£	£
Net cash (used in)/ provided by operating activities:	31	(172,194)	285,017
Cash flows from investing activities:			
Purchase of intangible fixed assets		(412,661)	(480,208)
Purchase of tangible fixed assets		(660,095)	(190,926)
Purchase of listed investments		(1,301,529)	(235,620)
Sale of listed investments		1,347,622	266,243
Improvements to investment property		-	(11,059)
Dividends received		30,543	25,183
Net cash used in investing activities		(996,120)	(626,387)
Cash flows from financing activities:			
Bank loan repayments in year		-	(108,965)
Net cash used in financing activities		-	(108,965)
Change in cash and cash equivalents in the year		(1,168,314)	(450,335)
Cash and cash equivalents at the beginning of the year	32	240,233	690,568
Cash and cash equivalents at the end of the year	32	(928,081)	240,233



# NOTES TO THE FINANCIAL STATEMENTS

## FOR THE YEAR ENDED 31 DECEMBER 2017

### 1. ACCOUNTING POLICIES

**a) Statutory information**

Holstein UK is a charitable company limited by guarantee and is incorporated in the United Kingdom. The registered office and operating address is Speir House, Stafford Park 1, Telford, Shropshire TF3 3BD. In the event of the charity being wound up, the liability in respect of the guarantee is limited to £1 per member of the charity.

**b) Basis of preparation**

The financial statements have been prepared in accordance with Accounting and Reporting by Charities: Statement of Recommended Practice (SORP) applicable to charities preparing their accounts in accordance with the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS) (effective 1 January 2015) – (Charities SORP FRS 102), the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) (September 2015) and the Companies Act 2006.

Assets and liabilities are initially recognised at historical cost or transaction value unless otherwise stated in the relevant accounting policy or note.

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 prepared in Sterling which is the functional currency of the charity.

Holstein UK meets the definition of a public benefit entity under FRS 102.

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.

**c) Preparation of the accounts on a going concern basis**

The financial statements are drawn up on the going concern basis which assumes Holstein UK will continue in operational existence for the foreseeable future. The Board do not consider that there are any sources of estimation uncertainty at the reporting date that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next reporting period. The Board have given due consideration to the working capital and cash flow requirements of Holstein UK. The Board consider Holstein UK’s current and forecast cash resources to be sufficient to cover the working capital requirements of the charitable company and its subsidiaries for at least 12 months from the date of signing the financial statements.

**d) Group financial statements**

These financial statements consolidate the results of the charitable company and its wholly-controlled subsidiaries The Cattle Information Services Limited, The Centre for Dairy Information Limited and National Bovine Data Centre Limited on a line-by-line basis. Transactions and

balances between the charitable company and its subsidiaries have been eliminated from the consolidated financial statements. Freehold property occupied by a subsidiary is disclosed as an investment property within the results of the parent and as a tangible fixed asset within the results of the group. A separate Statement of Financial Activities, or Income and Expenditure Account, for the charitable company itself is not presented because the charitable company has taken advantage of the exemption afforded by section 408 of the Companies Act 2006.

**Business combinations**

Acquisitions of subsidiaries and businesses are accounted for using the purchase method. The cost of the business combination is measured at the aggregate of the fair values (at the date of exchange) of assets given, liabilities incurred or assumed, and equity instruments issued by the group in exchange for control of the acquiree plus costs directly attributable to the business combination.

Any excess of the cost of the business combination over the acquirer’s interest in the net fair value of the identifiable assets and liabilities is recognised as goodwill. If the net fair value of the identifiable assets and liabilities exceeds the cost of the business combination the excess is recognised separately on the face of the consolidated statement of financial position immediately below goodwill.

**Investment in subsidiaries**

The consolidated financial statements incorporate the financial statements of the charity and entities (including special purpose entities) controlled by the group (its subsidiaries). Control is achieved where the group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. The results of subsidiaries acquired or disposed of during the year are included in the statement of financial activity from the effective date of acquisition and up to the effective date of disposal, as appropriate using accounting policies consistent with those of the parent.

**e) Judgements in applying accounting policies and key sources of estimation uncertainty**

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for income and expenditure during the period. However, the nature of estimation means that actual outcomes could differ from those estimates.

**f) Income**

All income is included in the consolidated statement of financial activities (SoFA) when the group is legally entitled to the funds, any performance conditions attached to the item of income have been met, it is probable that the income will be received and the amount can be measured reliably.

**g) Interest receivable**

Interest on funds held on deposit is included when receivable and the amount can be measured reliably by the group; this is normally upon notification of the interest paid or payable by the bank.

**h) Unrestricted donations**

Charitable donations are recognised in the financial statements when the charitable donation has been received, or if, before receipt, there is sufficient evidence to provide the necessary certainty that the donation will be received and the value of the incoming resources can be measured with sufficient reliability.

**i) Donated services and facilities**

Donated professional services and donated facilities are recognised as income when the group has control over the item, any conditions associated with the donated item have been met, the receipt of economic benefit from the use by the group of the item is probable and that economic benefit can be measured reliably. In accordance with the Charities SORP (FRS 102), the general volunteer time is not recognised.

On receipt, donated professional services and donated facilities are recognised on the basis of the value of the gift to the group which is the amount the group would have been willing to pay to obtain services or facilities of equivalent economic benefit on the open market; a corresponding amount is then recognised in expenditure in the period of receipt.

**j) Fund accounting**

Unrestricted funds are available to spend on activities that further any of the purposes of group. Included within unrestricted funds is a revaluation reserve. The revaluation reserve arises from professional revaluations of the group’s freehold properties (not including investment properties) which have taken place. Designated funds are unrestricted funds of the group which the trustees have decided at their discretion to set aside to use for a specific purpose. Restricted funds are donations which the donor has specified are to be solely used for particular areas of the group’s work.

**k) Expenditure and irrecoverable vat**

Expenditure is recognised once there is a legal or constructive obligation to make a payment to a third party, it is probable that settlement will be required and the amount of the obligation can be measured reliably. All expenditure been classified under headings that aggregate all costs related to the category. A further analysis of this expenditure is given in notes.

- Cost of raising funds comprises the costs of commercial trading and their associated support costs.
- Expenditure on charitable activities includes the costs of society services undertaken to further the purpose of the charity and their associated support costs.
- Other expenditure represents those items not falling into any other heading.

The group is unable to recover all of the VAT payable by it. Irrecoverable VAT is charged against the activity for which the expenditure was incurred.

**l) Allocation of support costs**

Support costs are those functions that assist the work of the group but do not directly undertake charitable activities. Support costs include back office costs, finance, personnel, payroll and governance costs which support the charitable society services and activities. These costs

have been allocated between cost of raising funds and expenditure on charitable activities. The bases on which support costs have been allocated are set out in the notes.

**m) Operating leases**

The group classifies the lease of property, printing and motor vehicles as operating leases; the title to the property and equipment remains with the lessor and the lease agreements are usually replaced every 3 to 5 years whilst the economic life of such property and equipment typically exceeds this and vary between 20 to 50 years for property and 5 to 10 years for equipment. Rental charges are charged on a straight line basis over the term of the lease.

The group has entered into commercial property leases as a lessor on its investment property portfolio.

**n) Foreign currencies**

Transactions denominated in foreign currencies are translated at the rate of exchange at the end of the month as an approximation to actual transaction dates. Foreign currency balances are translated at the rate of exchange prevailing at the balance sheet date. Foreign exchange gains/losses incurred are included in the SoFA for the period in which they are incurred.

**o) Taxation**

The charitable company is an institution within the meaning of the Charities Act 2011 and as such is a charity within the meaning of Section 506(1) of the Taxes Act 1988. Accordingly, the charitable company is potentially exempt from taxation in respect of income or capital gains within categories covered by Section 505 of the Taxes Act 1988 or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied exclusively to charitable purposes. The charitable company receives no similar exemption in respect of Value Added Tax.

The charitable company is an institution which is established for charitable purposes within the meaning of the Charities Act 2011 and as such is a charity within the meaning of Para 1 of Schedule 6 to the Finance Act 2010. Accordingly, the charitable company is potentially exempt from taxation in respect of income or capital gains received within categories covered by Sections 478-488 of the Corporation Tax Act 2010 (formerly enacted in Section 505 of the Income and Corporation Taxes Act 1988) or Section 256 of the Taxation of Chargeable Gains Act 1992 to the extent that such income or gains are applied to exclusively charitable purposes. The charitable company receives no similar exemption in respect of Value Added Tax. For this reason the charitable company is generally unable to recover input VAT it suffers on goods and services purchased. Non-pay expenditure is therefore shown inclusive of VAT with any partial recovery netted off against these figures.

The subsidiary companies are subject to corporation tax and VAT in the same way as any commercial organisation. The subsidiary companies are VAT grouped together with the charitable company.

**p) Intangible fixed assets**

Intangible fixed assets are initially measured at historic cost and subsequently carried at cost less accumulated amortisation and any accumulated impairment losses.

Website/applications development costs are recognised as an intangible asset when all of the following criteria are demonstrated:

- the technical feasibility of completing the website so that it will be available for use or sale;
- the intention to complete the website and use or sell it;



- the ability to use the website or to sell it;
- how the website will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the website;
- the ability to measure reliably the expenditure attributable to the website during its development.

At the reporting date, the group assesses whether there is any indication that an asset may be impaired. An impairment loss is recognised if the recoverable amount of an asset is less than its carrying amount.

Amortisation is provided at rates calculated to write down the cost of each asset to its residual value (realistic value at the end of its economic life) on a systematic basis over its useful economic life. The amortisation rates in use on a straight line basis are as follows:

- Website/applications development costs    - 5 years

**q) Tangible fixed assets**

Tangible fixed assets, excluding freehold land and buildings, are initially measured at historic cost and subsequently carried at cost less accumulated depreciation and any accumulated impairment losses. All costs incurred to bring an asset into its intended working condition are included in the measurement of cost. Assets are capitalised where the purchase price exceeds £500. Freehold land and buildings are initially measured at historic cost and subsequently at their revalued amount, being its fair value at the date of revaluation. Any upward valuation is first applied to eliminate any accumulated depreciation. The cost of properties is their purchases price together with the cost of improvement works. Fair value is determined on an open market basis. Valuations are taken on a regular basis to ensure that the carrying amount does not differ materially from fair value at the reporting date. Changes in fair value are reported in the SoFA and disclosed within other recognised gains and losses on the revaluation of fixed assets and taken to a separate revaluation reserve within funds of the group.

At the reporting date, the group assesses whether there is any indication that an asset may be impaired. An impairment loss is recognised if the recoverable amount of an asset is less than its carrying amount.

Depreciation is provided at rates calculated to write down the cost of each asset to its residual value (its scrap or realistic value at the end of its economic life) on a systematic basis over its useful economic life. The depreciation rates in use on a straight line basis are as follows:

- Plant and machinery
- Laboratory and recording equipment - varying rates – 2.5 to 10 years
  - Furniture and fittings - varying rates - 5 to 10 years
  - Motor vehicles - varying rates - 3 to 4 years
  - Office machinery and equipment - varying rates - 2 to 8 years
  - Computer equipment - 2 years

**r)Investments**

**Investments listed on a recognised stock exchange**

Fixed asset investment in quoted shares, traded bonds and similar investments are initially measured at cost and subsequently at fair value.

Changes in fair value are reported in the SoFA and disclosed within gains and losses on investment assets.

**Investment properties**

Investment properties are initially measured at cost and subsequently at fair value. Cost includes the purchase price together with improvement works. Fair value is determined on an open market basis. The SORP does not permit charities using FRS 102 to subsequently measure investment properties at their cost less accumulated depreciation and any accumulated impairment losses. Depreciation is not provided on investment properties.

Changes in fair value are reported in the SoFA and disclosed within gains and losses on investment assets.

**Investment in subsidiary undertakings**

Investments in subsidiary undertakings are initially stated at cost and subsequently measured at fair value. Fair value is determined on the Net Asset Value basis.

Changes in fair value are reported in the SoFA and disclosed within gains and losses on investment assets.

**s) Stocks**

Stocks are stated at the lower of cost and net realisable value. Stocks represent laboratory consumables utilised in testing processes. Cost is determined using the first-in, first-out method. The cost of consumables comprises finished goods and other direct costs. Net realisable value is based on estimated selling prices, less further costs expected to be incurred to finish and disposal. Provision is made for obsolete or slow-moving items where appropriate.

**t) Debtors**

Trade and other debtors are recognised at the settlement amount due after any trade discount offered. Prepayments are valued at the amount prepaid net of any trade discounts due.

**u) Cash at bank and in hand**

Cash and cash equivalents in the balance sheet comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less; and repayable without penalty on notice of not more than 24 hours. For the purpose of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of bank overdrafts repayable on demand.

**v) Creditors**

Creditors are recognised where the group has a present obligation resulting from a past event that will probably result in the transfer of funds to a third party and the amount due to settle the obligation can be measured or estimated reliably. Creditors are normally recognised at their settlement amount after allowing for any trade discounts due.

**w) Financial instruments**

The group only has financial assets and financial liabilities of a kind that qualify as basic financial instruments. Basic financial instruments are initially recognised at transaction value and subsequently measured at their settlement value with the exception of bank loans which are subsequently measured at amortised cost using the effective interest method.

**x) Provisions**

The group provides for legal or constructive obligations that are of uncertain timing or amount at the balance sheet date on the basis of the best estimate of the expenditure required to settle the obligation.

**y) Pension costs**

The group operates an occupational pension scheme providing money purchase benefits on a defined contribution basis. Employees who joined the money purchase pension scheme contract directly with the pension company, Phoenix Life & Pension Ltd. Contributions by the group and employees are determined by the scheme rules. The group acts as agent in collecting and paying over employee pension contributions. Once the contributions have been paid, the group as employer has no further obligations. From 1 April 2015, the pension scheme has closed to new entrants and no further contributions are being made.

From 1 April 2015, under the Pensions Act 2008, the group must put certain staff into a pension scheme and contribute towards it. This is called automatic enrolment. To comply with automatic enrolment laws, the group signed a participation agreement with a pension provider by which staff become members of an independently administered pension plan. The group and staff make contributions as specified in the plan.

At the reporting date, contributions outstanding amounted to £15,023 (2016: £13,900).

2. FINANCIAL PERFORMANCE OF THE CHARITY

The consolidated statement of financial activities includes the results of the charity’s wholly owned and wholly controlled trading subsidiaries.

The summary financial performance of the charity alone is:

	Year Ended 31.12.17 Total funds	Year Ended 31.12.16 Total funds
	£	£
Income	2,822,032	3,443,701
Gift aid from subsidiary companies	531,121	761,135
	3,353,153	4,204,836
Expenditure on charitable activities	(3,989,505)	(4,428,124)
Exceptional other income	-	240,000
Gains on investments	113,319	147,160
Net (loss)/ income	(523,033)	163,872
Other recognised gains		
Gains on revaluation of fixed assets	105,248	2,659,783
Total funds brought forward	13,883,167	11,059,512
Total funds carried forward	13,465,382	13,883,167
Represented by:		
Unrestricted income funds	5,867,022	6,390,055
Revaluation reserve	7,598,360	7,493,112
Total funds carried forward	13,465,382	13,883,167

3. INCOME FROM DONATIONS

	Year Ended 31.12.17 Total funds	Year Ended 31.12.16 Total funds
	£	£
Gift aid	16,802	-

4. INCOME FROM CHARITABLE ACTIVITIES

	Year Ended 31.12.17 Total funds	Year Ended 31.12.16 Total funds
	£	£
HOLSTEIN SOCIETY SERVICES		
Member subscription fees	260,836	243,637
Herd book entry fees	1,592,799	1,497,501
Re-issue, transfer fees and fines	65,342	45,331
Breeder awards	24,581	25,828
Journal advertising	37,997	54,517
Linear assessment / classification fees*	-	798,723
Catalogue and herd brochure services	3,524	17,728
Other society services	13,186	1,133
Herd book services and sundry income	177,900	109,361
Livestock events	440,787	390,682
Total income from charitable activities	2,616,952	3,184,441

\*In 2017, classification figures were transferred to NBDC

5. INCOME EARNED FROM OTHER ACTIVITIES

The wholly owned and wholly controlled trading subsidiaries, The Cattle Information Service Ltd (company number SC144462), The Centre for Dairy Information Ltd (company number 05409255), and National Bovine Data Centre Ltd (company number 10052419), are incorporated in the United Kingdom and pay all their profits to the charitable company under the gift aid scheme. The Cattle Information Service Ltd undertakes all commercial trading operations concerning health testing and milk recording. The Centre for Dairy Information Ltd did not trade during 2017. The National Bovine Data Centre Ltd undertakes all commercial trading operations concerning development of industry-leading analysis of data for the improvement of dairy production in the UK. A summary of the trading results are shown below.

The summary financial performance of the subsidiaries is:

	Year Ended 31.12.17 Total funds	Year Ended 31.12.16 Total funds
	£	£
Turnover	8,262,771	7,134,393
Cost of sales and administration costs	(7,946,025)	(6,414,329)
Net profit	316,746	720,064
Amount gift aided to the charity	(531,121)	(761,135)
Retained in subsidiary companies	(214,375)	(41,071)
The assets and liabilities of the subsidiaries were:		
Fixed assets	799,332	759,278
Current assets	1,717,607	1,108,847
Current liabilities	(2,119,910)	(1,256,722)
Total net assets	397,029	611,403
Aggregate share capital and reserves	397,029	611,403

6. INVESTMENT INCOME

	Year Ended 31.12.17 Total funds	Year Ended 31.12.16 Total funds
	£	£
Rents receivable	121,736	86,305
Dividends from listed investments	30,543	25,183
	152,279	111,488

7. ANALYSIS OF EXPENDITURE ON CHARITABLE ACTIVITIES

	Year Ended 31.12.17 Total funds	Year Ended 31.12.16 Total funds
	£	£
HOLSTEIN SOCIETY SERVICES		
Wages and salaries	1,370,847	1,942,836
Social security costs	135,920	225,235
Pension and other benefit costs	92,715	132,618
Hire of equipment and vehicles	114,874	181,842
Marketing and publicity	99,719	191,628
Testing - parentage	104,794	-
Conferences and other events	-	98,360
Livestock shows	669,656	719,420
Journal printing and circulation	123,630	96,151
Facilities management and utilities	220,505	106,253
Telephone	79,954	40,195
Postage and stationery	135,258	161,615
Computer maintenance	165,866	81,982
IT development charges	27,476	153,795
Field staff	108,428	90,179
Research and business development	-	10,889
Professional fees and charges	228,490	57,308
Staff training, recruitment and other office costs	111,457	101,992
Depreciation of tangible fixed assets	268,691	208,462
Bank charges	22,769	27,737
Bank loan interest	-	14,750
Governance costs (see note 9)	22,000	21,000
Support costs (see note 9)	77,764	28,120
Total expenditure on charitable activities	4,180,813	4,692,367



8. SUMMARY ANALYSIS OF EXPENDITURE AND RELATED INCOME FOR CHARITABLE ACTIVITIES

This table shows the cost of the charitable activities and the sources of income directly to support those activities.

	Year Ended 31.12.17 Total funds	Year Ended 31.12.16 Total funds
	£	£
HOLSTEIN SOCIETY SERVICES		
Costs	(4,180,813)	(4,681,367)
Member subscription fees	260,836	243,637
Society services	2,356,116	2,940,804
Net cost funded from other income	(1,563,861)	(1,496,926)

9. ANALYSIS OF GOVERNANCE AND SUPPORT COSTS

The group initially identifies the costs of its support functions. It then identifies those costs which relate to the governance function. Having identified its governance costs, the remaining support costs together with the governance costs are apportioned to the charitable activities undertaken in the period. Refer to the table below for the basis for apportionment and the analysis of support and governance costs.

	General support	Regulatory compliance	Year Ended 31.12.17 Unrestricted funds	Basis of apportionment
			£	
Trustees' expenses, travel and meeting costs	77,764	-	77,764	Invoiced
Audit fees	-	22,000	22,000	Invoiced
			99,764	

10. NET (LOSS)/ INCOME FOR THE YEAR

This is stated after charging:

	Year Ended 31.12.17	Year Ended 31.12.16
	£	£
Gift aid	16,802	-
Exceptional income - recovery of executive cost	-	240,000
Rents receivable	121,736	86,305
Auditors' remuneration – audit fees – parent	22,000	21,000
Auditors' remuneration – audit fees - subsidiaries	20,415	18,573
Depreciation - owned assets	501,500	440,468
Amortisation - owned assets	107,367	85,128
Hire of equipment and vehicles	353,995	324,156

11. ANALYSIS OF STAFF COSTS, TRUSTEES' REMUNERATION AND EXPENSES, AND THE COST OF KEY MANAGEMENT PERSONNEL

Staff costs for the charity and group were as follows:

	Year Ended 31.12.17	Year Ended 31.12.16
	£	£
Wages and salaries	3,576,751	3,256,201
Social security costs	350,284	375,789
Pension and other benefit costs	237,229	197,829
	4,164,264	3,829,819

Pension costs are allocated to activities in proportion to the related staffing costs incurred and are wholly charged to unrestricted funds.

The number of employees whose emoluments fell within the following bands was:

	Year Ended 31.12.17	Year Ended 31.12.16
	£	£
£60,000 - £69,999	1	1
£70,000 - £79,999	1	1
£80,000 - £89,999	-	1
	2	3

Trustees' remuneration and expenses

The charitable company trustees were not paid nor received any other benefit from employment with the charitable company or its subsidiaries in the current or prior years. No charitable company trustee received payment for professional or other services supplied to the charitable company or its subsidiaries in the current or prior years.

	Year Ended 31.12.17	Year Ended 31.12.16
	£	£
Trustees' expenses, travel and meeting costs	77,764	28,120

Trustees expenses represents payment or reimbursement of travel and subsistence incurred by 15 (2016: 16) trustees relating to attendance at meetings of the trustees, at meetings of trustees of subsidiary companies and in relation to other management activities. (£32,464 directly incurred by the charity, £45,300 reimbursed to trustees).

The cost of key management personnel

The key management personnel of the charitable company comprise the trustees, the Chief Executive Officer, Chief Operations Officer and Chief Financial Officer. The total employee benefits (including pension contributions and employer's national insurance) amounted to £256,185 (2016: £212,575).

The key management personnel of the group comprise those of the charitable company and its wholly-controlled subsidiary The Cattle Information Service Limited. The key management personnel of Cattle Information Service Limited comprise the Managing Director and Head of Laboratory & Operations. The total employee benefits (including pension contributions and employer's national insurance) amounted to £145,932 (2016: £140,334). The total employee benefits for the group amounted to £402,117 (2016: £352,909).

12. STAFF COSTS

	Year Ended 31.12.17 Number	Year Ended 31.12.16 Number
	£	£
Average monthly head count (including casual and part-time staff)	121	115

Included in the average number of employees are 16 (Period 2016: 16) employees who were not employed on a full-time basis throughout the reporting period.

13. INTANGIBLE FIXED ASSETS

The Group and Charity

	Website / applications development costs
	£
COST	
At 1 January 2017	675,967
Additions	412,661
Disposals	(25,000)
At 31 December 2017	1,063,628
AMORTISATION	
At 1 January 2017	85,128
Charge for year	107,367
At 31 December 2017	192,495
NET BOOK VALUE	
At 31 December 2017	871,133
At 31 December 2016	590,839

14. TANGIBLE FIXED ASSETS

The Group

	Freehold land and buildings	Plant and machinery	Totals
	£	£	£
COST OR VALUATION			
At 1 January 2017	8,165,000	2,500,474	10,665,474
Additions	136,327	523,768	660,095
Reclassification	11,059	(132,511)	(121,452)
At 31 December 2017	8,312,386	2,891,731	11,204,117
DEPRECIATION			
At 1 January 2017	-	1,690,422	1,690,422
Charge for year	105,248	396,252	501,500
Elimination on revaluation	(105,248)	-	(105,248)
Reclassification	-	(29,879)	(29,879)
At 31 December 2017	-	2,056,795	2,056,795
NET BOOK VALUE			
At 31 December 2017	8,312,386	834,936	9,147,322
At 31 December 2016	8,165,000	810,052	8,975,052

14. TANGIBLE FIXED ASSETS CONTINUED

The Charity

	Freehold land and buildings	Plant and machinery	Totals
	£	£	£
COST OR VALUATION			
At 1 January 2017	7,565,000	565,790	8,130,790
Additions	136,327	40,904	177,231
Reclassification	611,059	-	611,059
At 31 December 2017	8,312,386	606,694	8,919,080
DEPRECIATION			
At 1 January 2017	-	515,016	515,016
Charge for year	105,248	56,076	161,324
Elimination on revaluation	(105,248)	-	(105,248)
At 31 December 2017	-	571,092	571,092
NET BOOK VALUE			
At 31 December 2017	8,312,386	35,602	8,347,988
At 31 December 2016	7,565,000	50,774	7,615,774

The Group and the Charity

The freehold land and buildings at Scotsbridge House and Speir House were revalued at £7,565,000 and £600,000 respectively. The Scotsbridge valuation is based on a firm offer to purchase. Speir House valuation was undertaken by Towler Shaw Roberts LLP, Chartered Surveyors, 1 December 2015. The historical cost of freehold land and buildings were £352,948 and £762,386 (2016: £352,948 and £626,059) respectively.



15. FIXED ASSET INVESTMENTS

The Group	Listed investments
	£
MARKET VALUE	
At 1 January 2017	1,138,018
Additions at cost	1,301,529
Disposals	(1,219,990)
Net gains	120,660
MARKET VALUE	
At 31 December 2017	1,340,217
At 31 December 2016	1,138,018

The Charity	Shares in group undertakings	Listed investments	Totals
	£	£	£
MARKET VALUE			
At 1 January 2017	773,326	1,138,018	1,911,344
Additions at cost	-	1,301,529	1,301,529
Disposals	-	(1,219,990)	(1,219,990)
Net (losses)/gains	(7,341)	120,660	113,319
MARKET VALUE			
At 31 December 2017	765,985	1,340,217	2,106,202
At 31 December 2016	773,326	1,138,018	1,911,344

Analysis of listed investments:	31.12.17	31.12.16
	£	£
Corporate Bonds - fixed interest	71,169	190,707
Equities - listed UK	648,575	311,999
Equities - listed international	557,848	585,531
Property and alternatives	62,625	49,781
	1,340,217	1,138,018

The Group and Charity

Included within listed investments are overseas investments amounting to £557,848 (2016: £585,531).

The historical cost of investments was £1,250,304 (2016: £912,928). The trustees consider the value of the investments to be supported by their underlying assets.

15. FIXED ASSET INVESTMENTS CONTINUED

The Charity

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

The Cattle Information Service Limited

Nature of business: Milk recording and testing services

Class of share:	% holding
Ordinary A	100
Ordinary B	100

	31.12.17	31.12.16
	£	£
Aggregate capital and reserves	765,985	773,326
Loss for the year	(7,340)	(26,172)

The subsidiary has been included in the financial statements as a fixed asset investment at the value of that company's net assets as at 31 December 2017. The historical cost of the investment was previously written off.

The Centre for Dairy Information Limited

Nature of business: Collection of statistics and data of livestock

Class of share:	% holding
Limited by guarantee and has no share capital	Deemed to be held at 100

	31.12.17	31.12.16
	£	£
Aggregate reserves	(161,922)	(161,922)
Loss for the period/year	-	(17,898)

The results of the subsidiary have been included in the financial statements. The Centre for Dairy Information Limited did not trade during 2017. The subsidiary has negative reserves as at 31 December 2017 and has been fully impaired.

National Bovine Data Centre Limited

Nature of business: Data collection, analysis and dissemination of statistics and data of livestock

Class of share:	% holding
Ordinary	100

	31.12.17	31.12.16
	£	£
Aggregate reserves	(207,034)	-
Loss for the period/year	(207,035)	-

The results of the subsidiary have been included in the financial statements. The subsidiary has negative reserves as at 31 December 2017 and has been fully impaired.

16. INVESTMENT PROPERTY

The Group	£
MARKET VALUE	
At 1 January 2017	2,011,059
Reclassification	(11,059)
MARKET VALUE	
At 31 December 2017	2,000,000
At 31 December 2016	2,011,059

The Charity	£
MARKET VALUE	
At 1 January 2017	2,611,059
Reclassification	(611,059)
MARKET VALUE	
At 31 December 2017	2,000,000
At 31 December 2016	2,611,059

**The Group**  
The investment properties residing at the Scotsbridge House site were revalued at £2,000,000 following a firm offer to purchase at the balance sheet date. The historical cost of the properties was £411,295 (2016: £411,295).

**The Charity**  
The investment properties residing at the Scotsbridge House site and Speir House were revalued at £2,000,000 and £600,000 respectively. The Scotsbridge valuation is based on a firm offer to purchase. Speir House valuation was undertaken by Towler Shaw Roberts LLP, Chartered Surveyors, on 1 December 2015. The historical cost of the properties were £411,295 and £762,386 (2016: £411,295 and £626,059) respectively.

17. STOCKS

	Group 31.12.17	Group 31.12.16	Charity 31.12.17	Charity 31.12.16
	£	£	£	£
Laboratory consumables	77,383	103,020	-	-

18. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 31.12.17	Group 31.12.16	Charity 31.12.17	Charity 31.12.16
	£	£	£	£
Trade debtors	1,397,893	1,230,356	531,359	444,305
Amounts owed by group undertakings	-	-	570,097	567,631
Other debtors	388,000	320,000	159,290	315,099
Prepayments and accrued income	223,859	180,687	79,576	99,435
	2,009,752	1,731,043	1,340,322	1,426,470

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 31.12.17	Group 31.12.16	Charity 31.12.17	Charity 31.12.16
	£	£	£	£
Bank overdrafts	947,730	5,753	555,038	5,753
Trade creditors	922,836	371,465	398,451	140,155
Amounts due by group undertakings	-	-	174,859	-
Social security and other taxes	125,224	140,327	50,809	69,992
VAT	125,321	239,820	(13,617)	36,950
Other creditors	158,514	170,252	7,443	35,612
Accruals and deferred income	89,403	146,155	40,999	101,972
	2,369,028	1,073,772	1,213,982	390,434

20. OPERATING LEASE COMMITMENTS

The total future minimum lease payments under non-cancellable operating leases are as follows for each of following years:

	Group 31.12.17	Group 31.12.16	Charity 31.12.17	Charity 31.12.16
	£	£	£	£
Expiring:				
Less than one year	408,555	361,977	222,306	176,872
Between one and five years	344,800	535,477	197,083	328,239
	753,355	897,454	419,389	505,111



21. SECURED DEBTS

The following secured debts are included within creditors:

	Group 31.12.17	Group 31.12.16	Charity 31.12.17	Charity 31.12.16
	£	£	£	£
Bank overdrafts	947,730	5,753	555,038	5,753
Trade creditors	922,836	371,465	398,451	140,155
VAT	125,321	239,820	(13,617)	36,950

The Group and Charity

The bank overdrafts are secured by a cross guarantee between the charity and group companies.

Certain trade creditors are secured over the goods concerned.

The charity and group companies are party to a Group registration for VAT purposes. The charity is the representative member, and the charity and group companies are jointly and severally liable for any VAT liabilities of the Group that are part of the same VAT registration.

22. MOVEMENT IN FUNDS

The Group

	At 1.1.17	Net movements in funds	Transfers	At 31.12.17
	£	£	£	£
Unrestricted funds				
Free reserves	5,613,730	(515,690)	2,999	5,101,039
Non-charitable subsidiaries	614,403	(214,375)	(2,999)	397,029
Revaluation reserve fixed assets	7,493,112	105,248	-	7,598,360
TOTAL FUNDS	13,721,245	(624,817)	-	13,096,428

The Charity

	At 1.1.17	Net movements in funds	At 31.12.17
	£	£	£
Unrestricted funds			
Free reserves	6,390,055	(523,033)	5,867,022
Revaluation reserve tangible assets	7,493,112	105,248	7,598,360
TOTAL FUNDS	13,883,167	(417,785)	13,465,382

22. MOVEMENT IN FUNDS CONTINUED

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

The Group

	Incoming resources	Resources expended	Gains and (losses)	Movement in funds
	£	£	£	£
Unrestricted funds				
Free reserves	2,065,822	(2,702,172)	120,660	(515,690)
Non-charitable subsidiaries	8,262,771	(8,477,146)	-	(214,375)
Revaluation reserve fixed assets	-	-	105,248	105,248
TOTAL FUNDS	10,328,593	(11,179,318)	225,908	(624,817)

The Charity

	Incoming resources	Resources expended	Gains and (losses)	Movement in funds
	£	£	£	£
Unrestricted funds				
Free reserves	3,353,153	(3,989,505)	113,319	(523,033)
Revaluation reserve fixed assets	-	-	105,248	105,248
TOTAL FUNDS	3,353,153	(3,989,505)	218,567	(417,785)

23. PENSION COSTS

The charitable company (charity) and The Cattle Information Service Limited (subsidiary), both operate an occupational pension as a money purchase scheme providing benefits on a defined contribution basis. The schemes are registered or deemed registered under section 153 of the Finance Act 2004. The schemes are established under a Declaration of Trust and accordingly, are administered by an independent trustee with all assets and liabilities kept separate from the charity and subsidiary respectively. As from 1 April 2015, the schemes are closed to new entrants and no further contributions are taken and consequently the schemes are considered fully paid-up as at 31 March 2015.

The Charity

As from 1 January 1999, Holstein UK was established to unify the following societies: The Holstein Friesian Society of Great Britain & Ireland (HFS) and the British Holstein Society. At 31 December 1991, members of the HFS were on a defined benefits scheme and for those current members the money purchase scheme aims to provide similar benefits at normal retirement age to those previously provided under the HFS defined benefits scheme but these target benefits are not guaranteed. These members have individually calculated employer contribution rates calculated so that, on the basis of assumptions regarding future experience, the target benefits provided from the money purchase scheme will be similar to those which would have been provided had the previous defined benefit scheme continued.

The contribution rates for the money purchase scheme are subject to regular review by the charity and Phoenix Life Ltd (previously Royal & Sun Alliance Life & Pensions Ltd), although the charity is under no obligation to amend these contribution rates. For the 2015 scheme year, employee contribution rates for all employees and employer contribution rates for new and previous members who have joined the scheme have remained at 5% of pensionable earnings.

The Subsidiary

Prior to 9 July 2002, the subsidiary operated a pension plan, the Scottish Milk Group Pension Plan (SMGPP), providing benefits based on final pensionable earnings. At 9 July 2002, as part of a ownership restructure, for those current members the money purchase scheme aims to provide similar benefits at normal retirement age to those previously provided under the SMGPP but these target benefits are not guaranteed. These members have individually calculated employer contribution rates calculated so that, on the basis of assumptions regarding future experience, the target benefits provided from the money purchase scheme will be similar to those which would have been provided had they continued service within the SMGPP.

The contribution rates for the money purchase scheme are subject to regular review by the subsidiary and Phoenix Life (previously Royal & Sun Alliance Life & Pensions Ltd), although the subsidiary is under no obligation to amend these contribution rates. For the 2015 scheme year, employee contribution rates for all employees and employer contribution rates for new and previous members who have joined the scheme have remained at 5% of pensionable earnings.

23. PENSION COSTS CONTINUED

Automatic Enrolment

From 1 April 2015, the charity and subsidiary, separately entered into a participation agreement with NOW: Pensions Ltd which ultimately allows the employees of the charity and subsidiary to become members of the NOW: Pensions Trust (Plan), which is a registered occupational pension scheme governed by the Trust Deed and Rules dated 29 November 2011 by which the Plan was established. NOW: Pensions Ltd is currently the Trust Manager and the trustee of the Plan is currently NOW: Pension Trustee Ltd.

Plan summary:

- is an occupational pension scheme established in the United Kingdom;
- is registered with HM Revenue and Customs under the Finance Act 2004; and
- allows for employees to be enrolled into the Plan automatically, without them needing to express any choice or provide any information on any matter.

Accordingly, the Plan is capable of acting as an automatic enrolment scheme for the purposes of the Automatic Enrolment Laws. However, in order to act as an automatic enrolment scheme, it will also need to satisfy certain contribution requirements. The charity and subsidiary will both be responsible for ensuring that those requirements are satisfied, and for giving any certificate which is required under the Automatic Enrolment Laws for that purpose.

24. RELATED PARTY TRANSACTIONS

During the year, the following transactions took place between the charity and its wholly-controlled subsidiaries The Cattle Information Service Limited (CIS), The Centre for Dairy Information Limited (CDI) and National Bovine Data Centre Limited (NBDC):

- the charity is party to a group registration for VAT purposes. As the representative member, the charity is jointly and severally liable for any VAT liabilities of the subsidiary companies that are part of the same VAT registration;
- the bank overdraft in CIS is secured by a cross guarantee with the charity;
- the provision of property under lease agreement renewable annually by the charity to CIS amounted to £36,000 (2016: £36,000);
- the grant of a non-exclusive licence to obtain the right to use certain materials renewable annually by the charity to CDI, amounted to £Nil (2016: £9,000);
- the provision of staff by the charity to CIS, CDI and NBDC amounted to £151,555 (2016: £168,252), £Nil (2016: £66,686) and £17,580 (2016: £nil) respectively;
- the provision of administrative costs by the charity to CIS and CDI amounted to £30,126 (2016: £18,305) and £Nil (2016: £98,511) respectively;
- the transfer of gift aid of the trading profits of CIS to the charity of £531,121 (2016: £683,304) of which £nil was outstanding as at 31 December 2017 (2016: £nil);
- the outstanding balances as at 31 December 2017, from the charity to CIS was £174,850 (2016: £1,103,817 from CIS to charity), and from CDI and NBDC to the charity was £210,851 (2016: £322,390) and £359,246 (2016: £nil) respectively;
- the provision of interest on the outstanding balance of CIS, CDI and NBDC by the charity as at 31 December 2017 was £nil (2016: £4,184), £nil (2016: £nil) and £nil (2016: £nil) respectively. The trustees have considered, whilst CDI and NBDC have negative reserves, not to charge interest to mitigate any further losses in CDI and NBDC;
- the outstanding balance from CDI and NBDC are secured over the respective company’s assets, and is repayable on demand;
- the provision of laboratory testing services by CIS to the charity is received on the same terms as they are received by other beneficiaries of the charity.

25. FINANCIAL COMMITMENTS

There are no financial commitments.

26. POST BALANCE SHEETS EVENTS

There are no post balance events.

27. FINANCIAL INSTRUMENTS

The Group

The group has the following financial instruments:

		31.12.17	31.12.16
	Notes	£	£
Financial assets that are debt instruments measured at amortised cost			
- Cash and cash equivalents	32	19,649	245,986
- Trade debtors	18	1,397,893	1,230,356
- Other debtors - excluding taxes	18	388,000	320,000
		1,805,542	1,796,342

Financial liabilities measured at amortised cost

- Bank overdrafts	19	947,730	5,753
- Trade creditors	19	922,836	371,465
- Other creditors - excluding taxes	19	158,514	170,252
- Accruals	19	89,403	146,155
		2,118,483	693,625

The Charity

The charity has the following financial instruments:

		31.12.17	31.12.16
	Notes	£	£
Financial assets that are debt instruments measured at amortised cost			
- Cash and cash equivalents		13,719	118,115
- Trade debtors	18	531,359	444,305
- Amount owed by group undertaking	18	570,097	567,631
- Other debtors - excluding taxes	18	159,290	315,099
		1,274,465	1,445,150

Financial liabilities measured at amortised cost

- Bank overdrafts	21	555,038	5,753
- Trade creditors	19	398,451	140,155
- Other creditors - excluding taxes	19	182,302	35,612
- Accruals	19	40,999	101,972
		1,176,790	283,492



28. ULTIMATE PARENT COMPANY

The charitable company is limited by guarantee and has no share capital. The charitable company is controlled by its members as a group and consequently there is no ultimate parent company.

29. ULTIMATE CONTROLLING PARTY

The trustees are of the opinion there is no ultimate controlling party of the charitable company.

30. COMPANY LIMITED BY GUARANTEE

The charitable company is limited by guarantee and has no share capital. Every member of the company undertakes to contribute to the assets of the company in the event of its being wound up, for payments of the debts and liabilities of the company, such amount as may be required, not exceeding £1.

31. RECONCILIATION OF NET INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES

	Year ended 31.12.17	Year Ended 31.12.16
	£	£
Net (loss)/income for the reporting year (as per the consolidated statement of financial activities)	(730,065)	148,973
Adjustments for:		
Depreciation and amortisation charges	608,867	525,596
Gains on investments	(120,660)	(173,332)
Dividends received	(30,543)	(25,183)
Decrease in stocks	25,637	16,984
Increase in debtors	(278,709)	(380,144)
Increase in creditors	353,279	172,123
Net cash provided by operating activities	(172,194)	285,017

32. ANALYSIS OF CASH AND CASH EQUIVALENTS

	31.12.17	31.12.16
	£	£
Cash at bank and in hand	19,649	245,986
Overdraft facilities repayable on demand	(947,730)	(5,753)
Total cash and cash equivalents	(928,081)	240,233

DETAILED STATEMENT OF FINANCIAL ACTIVITIES

	Year Ended 31.12.17	Year Ended 31.12.16
	£	£
INCOME		
Donations		
Gift aid	16,802	-
Charitable activities		
Member subscription fees	260,836	243,637
Herd book entry fees	1,592,799	1,497,501
Re-issue, transfer fees and fines	65,342	45,331
Breeder awards	24,581	25,828
Journal advertising	37,997	54,517
Linear assessment / classification fees	-	798,723
Catalogue and herd brochure services	3,524	17,728
Other society services	13,186	1,133
Herd book services and sundry income	177,900	109,361
Livestock events	440,787	390,682
	2,616,952	3,184,441
Other trading activities		
Testing and recording	6,346,720	6,121,555
Registrations and classification	1,015,484	82,380
AI data research extracts	105,195	22,652
Sundry income	75,161	43,804
	7,542,560	6,270,391
Investment income		
Rents received	121,736	86,305
Dividends receivable	30,543	25,183
	152,279	111,488
Total income	10,328,593	9,566,320

	Year Ended 31.12.17	Year Ended 31.12.16
	£	£
<b>EXPENDITURE</b>		
<b>Other trading activities</b>		
Director's fees	6,166	4,000
Wages and salaries	2,199,738	1,309,365
Social security costs	214,364	150,554
Pensions and other benefit costs	144,514	65,211
Hire of equipment and vehicles	239,121	142,314
Speir House and laboratory costs	1,716,464	1,236,871
Vehicle costs	164,282	80,838
Subcontractors	1,405,255	1,361,290
Telephone	1,135	19,114
Postage and stationery	68,685	57,983
Marketing, media and promotion	73,331	45,109
Staff training, recruitment and other office costs	247,357	132,565
Trade and membership fees	1,784	2,730
Equipment fees and licencing	54,765	29,280
General administration	18,397	36,998
Consultancy costs	65,435	24,865
Legal and professional	9,780	79,345
Auditors' remuneration	20,415	17,573
Corporation tax	7,341	26,173
Depreciation of tangible fixed assets	340,176	317,134
Exceptional recovery of executive cost	-	(240,000)
	6,998,505	4,898,312

	Year Ended 31.12.17	Year Ended 31.12.16
	£	£
<b>EXPENDITURE</b>		
<b>Charitable activities</b>		
Salaries and wages	1,370,847	1,942,836
Social security costs	135,920	225,235
Pensions and other benefit costs	92,715	132,618
Hire of equipment and vehicles	114,874	181,842
Marketing and publicity	99,719	191,628
Testing - parentage	104,794	-
Conferences and other events	-	98,360
Livestock events	669,656	719,420
Journal printing and circulation	123,630	96,151
Facilities management and utilities	220,505	106,253
Telephone	79,954	40,195
Postage and stationery	135,258	161,615
Computer maintenance	165,866	81,982
IT development charges	27,476	153,795
Field staff costs	108,428	90,179
Research and business development	-	10,889
Professional fees and charges	228,490	57,308
Staff training, recruitment and other office costs	111,457	101,992
Bank charges	22,769	27,737
Bank loan interest	-	14,750
Amortisation of intangible assets	107,367	85,128
Depreciation of tangible fixed assets	161,324	123,334
	4,081,049	4,643,247
<b>Support costs - governance costs</b>		
Trustees' expenses, travel and meeting costs	77,764	28,120
Auditors' remuneration	22,000	21,000
	99,764	49,120
<b>Total expenditure</b>	<b>11,179,318</b>	<b>9,590,679</b>
<b>Net gains/(losses) on investments</b>		
Gains on listed investments	120,660	173,332
<b>Net (loss)/ income</b>	<b>(730,065)</b>	<b>148,973</b>



# holstein UK

holstein & british friesian



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