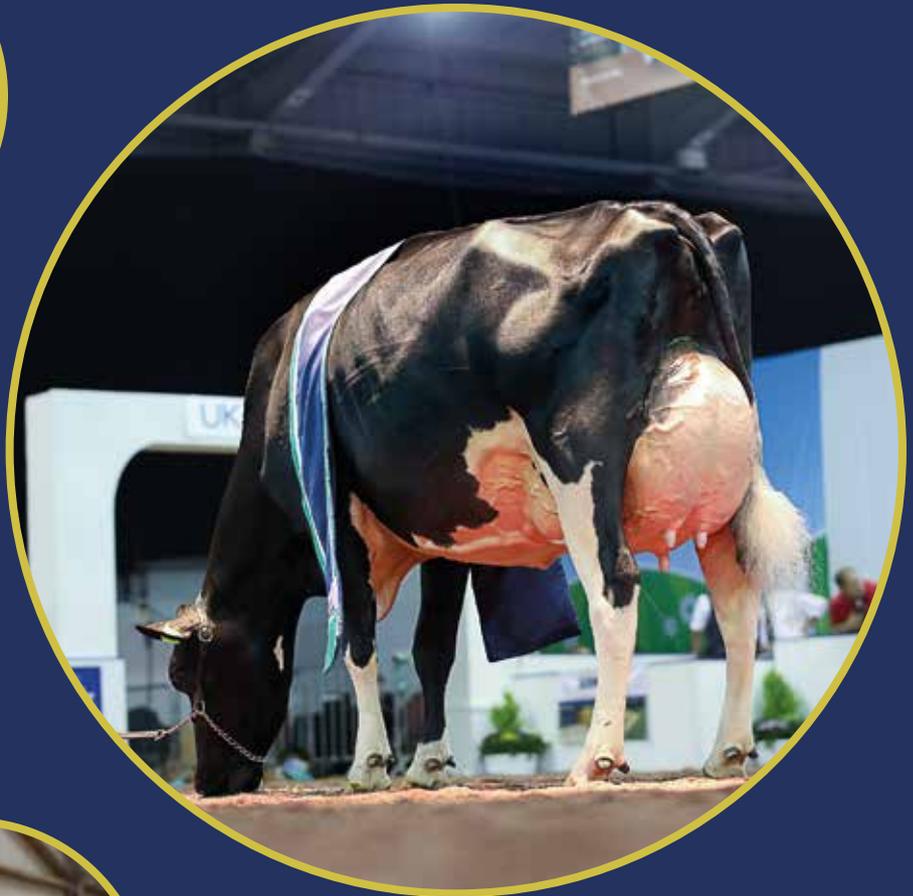


Annual Report & Accounts

For the year ended 31 December 2018



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Holstein UK Board L to R: Michael Smale, David Yates, Jane Targett, Carl Smith, Edward Griffiths, Wallace Gregg, Stephen Brough, Andrew Birkle (Chair), Sue Cope (CEO), Aled Jones, Mark Nutsford, Stephen Hill, Sandy Pirie, David Jones, Iwan Morgan (Peter Prior, absent)

Officers of the society

President - Mr P Waring

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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PRESIDENT'S REPORT

PETER WARING

My year as President is almost at an end and it's a year that will be remembered by me for many reasons. Brexit that didn't happen, the hot, dry summer that created a fodder shortage for so many livestock farmers and of course John Gribbon leaving us. It has been an honour for me to represent the Society at so many events and I have enjoyed the recognition.

Judith and I attended most of the major shows where we saw some tremendous displays of Holstein cattle. Congratulations must go out to all exhibitors and their staff for showing their entries in such a professional way. UK Dairy Day at Telford was again a huge success. Every exhibitor that I spoke to had nothing but praise for the event, whether they were showing or had a stand they said everything was done so efficiently and were looking forward to being there next year. So congratulations to all of the staff and everyone else involved.

The HYB Weekend Rally was well attended. Everyone appeared to have a great time. I'm sure the excellent facilities provided by the East Midlands Club were appreciated. It's great to see such enthusiasm among young people. The All Breeds All Britain Calf Show was a truly spectacular display of calves and young people's ability to promote their own breed. It gave me great pride to watch the Holstein classes. This was held at a new venue at Peterborough, everyone appeared to be satisfied with the facilities at the East of England Showground and the show society are more than keen to hold it in the future.

We attended as many club dinners as possible which we very much enjoyed. We were so well looked after and I thank all the clubs for their hospitality, it was greatly appreciated.

We recently attended the European Show at Libramont in Belgium. Unfortunately Holstein UK could not exhibit a full team due to the Bluetongue situation. However, they did send four cows and put on a great display, winning one class and standing 5th and 7th with two more. Mark Nutsford put on a great display of judging. Congratulations to our HYB members Jonny Woodhouse and Robert Morley for their success in the clipping and showmanship competitions.



It was an honour to judge and present the President's Medal at the Semex Conference with so many talented young people competing for the award. Jessica Mills, the eventual winner was an outstanding candidate, she should be very proud of herself.

Finally I would like to thank James and Becky for looking after the place while we were away. Also the staff at Holstein UK, especially Sue and Hannah, Sarah and Dani for organising our trips and accommodation and everyone else for their guidance and friendship. I now look forward to being a past President, so many thanks to you all.

Congratulations to Bryan Thomas as incoming President. Bryan comes in with a wealth of experience so I wish him and Iris a wonderful year. All the best to everyone.

Peter Waring

02 May 2019



CHAIRMAN'S REPORT

ANDREW BIRKLE (WHINCHAT)

This year has been a very encouraging year and as chairman of the society I am delighted to report on the past 12 months. I really feel the society is taking major steps forward with the continued support of our members and the new projects we are launching it is an exciting time to a part of this organisation. This year, however, has not been without its challenges for our industry and I had hoped to be reporting to you on our recent independence from the European Union. Sadly, however this uncertainty lingers on and it is proving very difficult to predict anything in this ever changing environment. It is without doubt a difficult time for businesses and this uncertainty is ever present across all industries including ours.

Financially we have had an extremely positive year and I am delighted at the turnaround in the financial situation. The group of businesses have gone from making a £730,065 loss in 2017 to a £402,191 group profit for 2018. This has been achieved through efficiency and cost savings throughout the businesses and although this has been primarily driven by Sue Cope in her role as CEO, I know these drivers have been a key consideration to all the staff throughout the businesses.

The Cattle Information Service (CIS) continues to go from strength to strength with another outstanding year. Milk recording increased by 6% and an additional 1,115,605 health tests were processed through the lab this year. In addition, the customer base grew by 64 farms. Much of this growth is driven by the CIS field services team who continue to promote the great service CIS can provide to new and existing members.

Holstein UK has still had its ups and downs this year as membership figures continue to decline, down 4.5% this year. Sadly, we are all too aware of the financial pressures in our industry and we continue to see herd dispersals on a far too regular basis. This is why the society continues to find ways to support the membership and forge good relationships with industry partners and political allies to consolidate our efforts in supporting farmers through these difficult times. It is not all bad news though with this year seeing the launch of the Approved Registered Cattle scheme (ARC) which has been very positively received. Members can save money on the purchase of their ear tags with the added benefit of having the ability to submit DNA tissue samples allowing easy genomic testing and increasing their animal authenticity. Tissue samples do not have to be analysed immediately but are stored should the farmer wish to test in the future. This is a great project and I can only see this taking off more and more for the future. In addition to our own members, we also now have the Jersey Cattle Society members who are using this service and other dairy breed societies who are very interested in taking this project on themselves.

The sale of Scotsbridge House continues to go through the proper process and we are awaiting planning decisions to be made. Over the past 12 months and going forward the board are spending a considerable amount of time looking at the best possible use of any potential income generated from such sale to enable the society to be progressive and future-proofed.

NBDC has continued to grow this year with classifications up 2%. 10 dairy breeds and 10 beef breeds now classify. Meurig James our Head of Breed Development, continues to promote the benefits of

classification and promote the changes to our trait system with the addition of 4 new traits for Holsteins.

UK Dairy Day (UKDD) was again an outstanding event and was extremely well supported by the industry. We have to thank the continued support of all our sponsors, exhibitors and visitors who make this event such a showcase for the industry. Now hosting three National Shows, the standard of cattle at the event is second to none and our livestreaming of the cattle show is viewed globally.

I would like to take the time to give recognition to all the herds that open their doors to us over the year, allowing us to host events such as judging conferences, classifiers workshops, young members events and the Holstein celebration. These events put extra work on the farms to present their businesses so professionally and their cows immaculately, and without their generosity we would not be able to. I would like to thank all those who have volunteered to host events such as these, your help is greatly appreciated.

It was truly a privilege for Holstein UK to host the Word Classifiers Conference this year. With 46 delegates from 27 countries it was a great chance to showcase the UK. Organised by Meurig James our Head of Breed Development and kindly hosted by Mick Gould (Woodmarsh) and Ed Seaton (Styche), all the classifiers were extremely impressed with the event and went away having had a great few days.

I have always been a keen supporter of Holstein Young Breeders (HYB) and this year our HYB members have continued to show the high calibre of young people we have in our industry. It was a pleasure for me to see the HYB Weekend Rally & National Competitions day come to East Midlands club this year with over 200 members from 18 clubs attending it was a great weekend enjoyed by all. The All Breeds All Britain Calf Show (ABAB) moved to a new venue at Peterborough this year which proved a great success. This event really has become a great showcase for young members and I was really pleased with the coverage across the national press that we received this year. During this event Farmers Weekly filmed videos on showmanship and clipping, demonstrated by our young members which can now be viewed online. As always at the event we present some of our HYB awards. This year the Littlestar Award went to Sophie Powell (Devon) with the Louise Hartley award presented to Jess Tapp (Devon). The Presidents Medal Award again saw a great strength of entries with the three finalists being narrowed down to James Doherty (Shropshire), Jessica Hurren (North East) & Jess Mills (Derbyshire). The award was presented at the Semex Conference with Jess Mills crowned the winner.

Internationally our young members have excelled again this year, taking part in The European Young Breeders School (EYBS) in Battice, Belgium, the Open Junior Show in Cremona, Italy and our Australian Exchange programme. Although not in the financial year I would just like to take this opportunity to congratulate Jonny Woodhouse &





Robert Morley who represented the UK at the European Holstein Championships where both young members put in outstanding performances. We have had great feedback from all the hosts of these events on the positivity and keenness of our young members of which we are very proud.

I would like to take this opportunity to thank Sue Cope, Chief Executive Officer (CEO) of the Holstein Group. It has been a pleasure working with her and her team, the dedication and commitment from the staff is truly inspiring and I know our society is in very safe hands with Sue at the helm. The board of trustees continue to work closely with Sue and the management team and are committed to moving the society forward to enable the memberships needs to be met and providing an outstanding quality of service to all our customers.

As I step down from my role as Holstein UK trustee and Board chairman I must take this opportunity to thank my wife Mimi and my family for their support. This has been a busy year and put extra responsibility on the team at home in my absence.

I would also like to take this opportunity to thank Peter and Judith Waring for their promotion of the society across the UK and further afield over the last 12 months and their support to me as Chairman. They have both dedicated themselves to the position this year and I hope they have enjoyed their travels.

Lastly, I would like to thank our retiring trustees, Carl Smith & Mark Nutsford who come to the end of their terms on the board, for the hard work and dedication they have shown throughout their time on the board. I would also like to welcome our new trustees Jane Whittaker, John Hartley and Matthew Winter who will be great assets to the board.

Andrew Birkle
02 May 2019

CHIEF EXECUTIVE'S REPORT

SUE COPE

2018 has been all about balance for Holstein UK, ensuring products and services are fit for the modern UK dairy farmer, whilst ensuring income outweighs expenditure. This is a challenge that all businesses face, whilst milk price has recovered a little, the average 2018 farmgate price was 7% below that of 2013. The volatility in milk price continues to put financial pressure on every dairy farmer and the businesses they trade with. This is made even more difficult with the UK political decisions that divided opinion throughout the population, now only bonding us with unified uncertainty.

Holstein UK is no exception and the management team have spent the year evaluating every part of the group's activities. Firstly ensuring the expenditure and income for every service is transparent and correctly allocated within the business, and then reviewing the way we deliver the service and introducing new ways of working. Allowing us to make best use of our income, whilst keeping costs to a minimum.

The Holstein Group have strived to service and meet the demands of their members and customers, whilst maximising efficiencies. Financially we have seen our balance sheet and cash position become positive when compared against the previous year. The management team are convinced that we need to continue to build on our business model of cutting costs by implementing efficiency, however this is along with introducing the correct new services that will benefit our members and customers businesses.

Often the short-term view is to stop spending money, however this can have detrimental effects by cutting the value and quality of service, something which we were very aware of and wanted to avoid! At the 2018 AGM, we introduced our five-year strategic plan, this has given us an extremely structured way of working, and a formal plan for the future.

Our focus continues to be on our core services: Registrations; Type Classification; Milk Recording; and Animal Health Testing. These four elements finance our charitable objective; To Encourage, Promote and Improve The Breeding of Holstein Friesian Cattle in Great Britain, Northern Ireland, or Elsewhere.

Registrations

BCMS has reported a 7% decline in Holstein and Friesian births during 2018, when compared with the previous year. Sadly, this is an ongoing trend, with 18% less dairy births recorded with BCMS than five years ago. Holstein UK registered animals have also declined during both periods, but analysis reveals that we register more of total births than we achieved three years ago. Registrations are the main operational source of income for the Charity, and I am pleased that we have seen our income increase by £30,350 in 2018, compared with the previous year.

We continue to add value to registering cattle and the new Approved Registered Cattle (ARC) initiative has been developed to aid this process. By using the combined buying power on behalf of members and the cattle they register with Holstein UK, we offer members the opportunity to purchase extremely competitively priced ear tags, BVD testing and genomic analysis, whilst adding value to their cattle.



Type Classification

Type classification of all cattle continues to grow in appeal and I am extremely pleased to report classifications of cattle has now risen for two consecutive years. Our team of classifiers completed 122,943 inspections on behalf of Holstein UK in 2018, an increase of 1% over 2017. A further 20,040 inspections were carried out for the National Bovine Data Centre (NBDC), which provide services for other dairy and beef breed societies. We are optimistic that type evaluation of cattle will continue to grow in the future, as farmers make best use of the information the service provides. Along with further breed societies understanding the benefits that formalised type evaluation can bring in terms of genetic gain for the cattle within their herd books.

Milk Recording and Animal Health

The Cattle Information Service (CIS) continues to thrive and has proven an excellent investment for the Charity. The subsidiary successfully signed 134 new herds to join their milk recording schemes in 2018. Of these 83 had never milk recorded before, whilst sadly during the same period, 65 herds ceased production. This has resulted in a net increase of 6% in the number of cattle recorded by CIS. Within the laboratory facility at Speir House, CIS also test for a range of diseases in milk, blood and tissue, this area has seen the largest expansion for the group through a rise of 11% in 2018. This was predominantly attributed to Johnes testing in milk and tissue testing for BVD.

Charitable Activities

Holstein UK is committed to encouraging, promoting and improving the breeds within our herd book, by investing 100% of our revenue in activities to meet these objectives. The Journal forms the foundation of the society's promotion of UK genetics, whilst also informing members of news from events and the industry. The content of the Journal has

adapted over the years to meet an audience that receives news instantly through web platforms and social media. The emphasis is now placed on more in-depth reporting, giving detailed information that is not elsewhere available. The depth of the information printed follows our now very comprehensive digital communication that appears on our five websites and eighteen social media accounts.

It is within these different forms of communication you can see the comprehensive services that the Holstein Group provide, along with events we organise and attend, the excellent calibre of cattle that our members are breeding in the UK, the networking of our members through sharing knowledge locally and nationally, and the success of our Holstein Young Breeders programme.

I would like to thank every employee for their hard work, loyalty and enthusiasm in turning the group finances around in such a positive manner, whilst enhancing our services in the field, office and through our IT systems. I must also thank all the Trustees for their support and the introduction of the five-year strategy document, which has given us employees operational direction.

My first year as CEO of The Holstein Group has not been without it challenges, but with the support of Trustees, staff and members it is with great pride I can say we finished the year in a stable position with a great outlook for the future. During 2018 we firstly had David Perry as President and at the 2018 AGM Peter Waring was elected, both men were supported by their wives Beatrice and Judith and proved to be great ambassadors for Holstein UK. Finally, I have to give a special mention for the 2018 Holstein UK Chairman Andrew Birkle, who has supported me throughout the process with words of wisdom, a shared vision for the society and for his attendance at events along with his wife Mimi.

Sue Cope

02 May 2019



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 2018.

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:

ELECTED 2009	John Cousar retired 13.06.18	Scotland
	Andrew Dutton retired 13.06.18	North Midlands
ELECTED 2010	Andrew Birkle	East Midlands
	Carl Smith	Lancashire
ELECTED 2011	Aled Jones	North Wales
	Stephen Brough	Northern
ELECTED 2012	Iwan Morgan	South Wales
	Jane Targett	Southern
	Edward Griffiths	Yorkshire
ELECTED 2014	Mark Nutsford	North Western
	Michael Smale	Far Western
ELECTED 2016	Peter Prior	South East & Eastern
	Malcolm McLean retired 13.06.18	Northern Ireland
ELECTED 2017	Sandy Pirie	Scotland
	David Jones	West Midlands
ELECTED 2018	David Yates from 13.06.18	Scotland
	Stephen Hill* from 13.06.18	North Midland
	Wallace Gregg from 13.06.18	Northern Ireland

* Stephen Hill is currently representing North Midlands as a non-voting board member

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 02 May 2019. All trustees are members of the charity and directors of the charitable company. During the reporting period there were 7 (2017: 7) trustees' meetings, which achieved an 89% (2017: 85%) attendance. The individual trustees percentage attendance for the reporting period was as follows: A Birkle 100%, S Brough 100%, J Cousar 100%, A Dutton 75%, E Griffiths 86%, A Jones 100%, D Jones 100%, W Gregg 100%, S Hill 100% I Morgan 57%, M Nutsford 71%, S Pirie 100%, P Prior 57%, M Smale 86%, C Smith 100%, J Targett 86%, D Yates 86%. The amount of expenses reimbursed to trustees during the reporting period was £38,484 (2017: £45,300).

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 5,927 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 183,455 females during the full year January to December 2018 (2017: 192,625). 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 2018, the charity undertook 125,756 (2017: 124,294) 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 and via its trading subsidiaries www.thecis.co.uk and www.nbdc.uk.

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. Close Brothers Asset Management managed the reserves on a discretionary basis. 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 £42,505 (2017: £30,543) and investment losses totalled £79,886 (2017:£120,660 gain). 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 3 (2017: -1) weeks running costs. Assets which could be reasonably realised represented 50% (2017:48%) 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 2018.

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 £10,980,075 (2017:£10,328,593). On a like-for-like comparative basis, income is up 6.3%

A programme of restructuring, cost saving and price increases were implemented in 2018 which has resulted in a surplus being made. The budget set for 2019 will enable the Society to operate within its resources whilst still delivering the high quality services members deserve.

National Bovine Data Centre Ltd, was set up in 2017 and began trading. In its second year of operation, a deficit of £51,405 was recorded (£207,035 in first year). 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 £841,497 (2017: £531,121) 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.

At the AGM in June 2018, the charity launched its 2018-2022 Strategy which incorporated feedback from members.

STATEMENT OF TRUSTEES' RESPONSIBILITIES

The trustees (who are also directors of Holstein UK for the purposes of company law) are responsible for preparing the Trustees' Annual Report (including the Strategic Report) and the financial statements in accordance with applicable law and United Kingdom Accounting Standards (United Kingdom FRS102).

Company law requires the trustees to prepare financial statements for each financial year. Under that law the trustees have prepared the financial statements in accordance with United Kingdom FRS102 (applicable law and United Kingdom Accounting Standards). Under company law the trustees must not approve the financial statements unless they are satisfied they give a true and fair view of the state of affairs of the charitable company and the group and of the incoming resources and application of resources, including the income and expenditure, of the charitable group 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 and the group will continue in business.

The trustees are responsible for keeping adequate accounting records that disclose with reasonable accuracy at any time the financial position of the charitable company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the charitable company and 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 the trustee has taken all steps they 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 aware of that information.

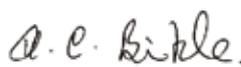
The trustees are responsible for the maintenance and integrity of the corporate and financial information included on the Holstein UK's

website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

AUDITOR

In early 2019, the Society undertook a competitive tender of its audit services and Whittingham Riddell LLP were chosen as the preferred 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 appointment of Whittingham Riddell LLP as auditor of the charitable company for the ensuing three years.

The Report of the Trustees (including the Strategic Report) were approved by the Board of Trustees on the 2nd May 2019 and authorised to be signed on its behalf by:



Andrew Birkle - Chairman
02 May 2019



REPORT OF THE INDEPENDENT AUDITOR TO THE MEMBERS OF HOLSTEIN UK

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 2018 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 2018 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.

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

02 May 2019

Note: The maintenance and integrity of the Holstein UK website is the responsibility of the trustees; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

CONSOLIDATED STATEMENT OF FINANCIAL ACTIVITIES

(incorporating an income and expenditure account)

FOR THE YEAR ENDED 31 DECEMBER 2018

		Year Ended 31.12.18 Unrestricted funds	Year Ended 31.12.17 Total funds
	Notes	£	£
INCOME			
Donations	3	54,141	16,802
Charitable activities			
Holstein society services	4	2,717,378	2,616,952
Other trading activities			
Commercial trading operations	5	8,013,769	7,542,560
Investment income	6	194,787	152,279
Total income		10,980,075	10,328,593
EXPENDITURE			
Raising funds			
Commercial trading operations		6,868,964	6,998,505
Charitable activities			
Holstein society services	7	3,629,034	4,180,813
Total expenditure		10,497,998	11,179,318
(Losses)/gains on investments		(79,886)	120,660
NET INCOME/(LOSS)		402,191	(730,065)
Other recognised gains/(losses)			
Gains on revaluation of fixed assets		-	105,248
Net movement in funds		402,191	(624,817)
RECONCILIATION OF FUNDS			
Total funds brought forward		13,096,428	13,721,245
TOTAL FUNDS CARRIED FORWARD		13,498,619	13,096,428

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 2018

		Group 31.12.18 Unrestricted funds	Group 31.12.17 Unrestricted funds	Charity 31.12.18 Total funds	Charity 31.12.17 Total funds
	Notes	£	£	£	£
FIXED ASSETS					
Intangible assets	13	726,592	871,133	726,592	871,133
Tangible assets	14	8,855,736	9,147,322	8,294,252	8,347,988
Investments					
Investments	15	1,278,997	1,340,217	2,044,982	2,106,202
Investment property	16	2,000,000	2,000,000	2,000,000	2,000,000
TOTAL FIXED ASSETS		12,861,325	13,358,672	13,065,826	13,325,323
CURRENT ASSETS					
Stocks	17	212,087	77,383	-	-
Debtors	18	1,668,972	2,009,752	1,972,755	1,340,322
Cash at bank and in hand		72,422	19,649	21,501	13,719
TOTAL CURRENT ASSETS		1,953,481	2,106,784	1,994,256	1,354,041
LIABILITIES					
Creditors: falling due within one year	19	(1,316,187)	(2,369,028)	(1,141,104)	(1,213,982)
NET CURRENT (LIABILITIES)/ASSETS		637,294	(262,244)	853,152	140,059
TOTAL NET ASSETS		13,498,619	13,096,428	13,918,978	13,465,382
THE FUNDS OF THE CHARITY					
Unrestricted funds	22	5,900,259	5,498,068	6,320,618	5,867,022
Revaluation reserve	22	7,598,360	7,598,360	7,598,360	7,598,360
TOTAL CHARITY FUNDS		13,498,619	13,096,428	13,918,978	13,465,382

Approved by the trustees on 02 May 2019 and signed on their behalf by:



Andrew Birkle – Chairman

Registered Company Number 03674328 (England and Wales) Registered Charity number 1072998

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2018

		Year Ended 31.12.18	Year Ended 31.12.17
	Notes	£	£
Net cash (used in)/ provided by operating activities:	31	702,964	(172,194)
Cash flows from investing activities:			
Purchase of intangible fixed assets		(17,199)	(412,661)
Purchase of tangible fixed assets		(24,819)	(660,095)
Purchase of listed investments		(224,032)	(1,301,529)
Sale of listed investments		210,803	1,347,622
Dividends received		42,505	30,543
Net cash used in investing activities		(12,742)	(996,120)
Change in cash and cash equivalents in the year		690,222	(1,168,314)
Cash and cash equivalents at the beginning of the year	32	(928,081)	240,233
Cash and cash equivalents at the end of the year	32	(237,859)	(928,081)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2018

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 acquire 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 purchase 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 £4,121 (2017: £15,023).

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 31.12.18	Year Ended 31.12.17
	Total funds	Total funds
	£	£
Income	3,002,305	2,822,032
Gift aid from subsidiary companies	841,497	531,121
	3,843,802	3,353,153
Expenditure on charitable activities	(3,310,320)	(3,989,505)
(Losses)/gains on investments	(79,886)	113,319
Net income/(loss)	453,596	(523,033)
Other recognised gains/(losses)		
Gains on revaluation of fixed assets	-	105,248
Total funds brought forward	13,465,382	13,883,167
Total funds carried forward	13,918,978	13,465,382
Represented by:		
Unrestricted income funds	6,320,618	5,867,022
Revaluation reserve	7,598,360	7,598,360
Total funds carried forward	13,918,978	13,465,382

3. INCOME FROM DONATIONS

	Year Ended 31.12.18	Year Ended 31.12.17
	Total funds	Total funds
	£	£
Gift aid	54,141	16,802

4. INCOME FROM CHARITABLE ACTIVITIES

	Year Ended 31.12.18 Total funds	Year Ended 31.12.17 Total funds
	£	£
HOLSTEIN SOCIETY SERVICES		
Member subscription fees	264,123	260,836
Herd book entry fees	1,623,149	1,592,799
Re-issue, transfer fees and fines	80,413	65,342
Breeder awards	28,669	24,581
Journal advertising	37,952	37,997
Catalogue and herd brochure services	202	3,524
Other society services	10,935	13,186
Herd book services and sundry income	236,383	177,900
Livestock events	435,552	440,787
Total income from charitable activities	2,717,378	2,616,952

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 2018. 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 31.12.18 Total funds	Year Ended 31.12.17 Total funds
	£	£
Turnover	8,750,167	8,262,771
Cost of sales and administration costs	(7,960,075)	(7,946,025)
Net profit	790,092	316,746
Amount gift aided to the charity	(841,497)	(531,121)
Retained in subsidiary companies	(51,405)	(214,375)
The assets and liabilities of the subsidiaries were:		
Fixed assets	560,568	799,332
Current assets	2,305,509	1,717,607
Current liabilities	(2,520,453)	(2,119,910)
Total net assets	345,624	397,029
Aggregate share capital and reserves	345,624	397,029

6. INVESTMENT INCOME

	Year Ended 31.12.18 Total funds	Year Ended 31.12.17 Total funds
	£	£
Rents receivable	152,282	121,736
Dividends from listed investments	42,505	30,543
	194,787	152,279

7. ANALYSIS OF EXPENDITURE ON CHARITABLE ACTIVITIES

	Year Ended 31.12.18 Total funds	Year Ended 31.12.17 Total funds
	£	£
HOLSTEIN SOCIETY SERVICES		
Wages and salaries	1,214,930	1,370,847
Social security costs	130,186	135,920
Pension and other benefit costs	127,862	92,715
Hire of equipment and vehicles	55,030	114,874
Marketing and publicity	62,870	99,719
Testing - parentage	111,944	104,794
Livestock shows	668,597	669,656
Journal printing and circulation	150,150	123,630
Facilities management and utilities	147,238	220,505
Telephone	54,069	79,954
Postage and stationery	104,662	135,258
Computer maintenance	145,357	165,866
IT development charges	27,571	27,476
Field staff	71,250	108,428
Professional fees and charges	79,279	228,490
Staff training, recruitment and other office costs	154,549	111,457
Depreciation and amortisation of fixed assets	225,260	268,691
Bank charges	29,845	22,769
Governance costs (see note 9)	18,000	22,000
Support costs (see note 9)	50,385	77,764
Total expenditure on charitable activities	3,629,034	4,180,813

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 31.12.18 Total funds	Year Ended 31.12.19 Total funds
	£	£
HOLSTEIN SOCIETY SERVICES		
Costs	(3,629,034)	(4,180,813)
Member subscription fees	264,123	260,836
Society services	2,453,255	2,356,116
Net cost funded from other income	(911,656)	(1,563,861)

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.

	Year Ended 31.12.18	Unrestricted funds	
	£	£	Basis of apportionment
	General support	Regulatory compliance	
Trustees' expenses, travel and meeting costs	50,385	-	Invoiced
Audit fees	-	18,000	Invoiced
		68,385	

10. NET (LOSS)/ INCOME FOR THE YEAR

This is stated after charging:

	Year Ended 31.12.18	Year Ended 31.12.17
	£	£
Gift aid	54,141	16,802
Rents receivable	152,282	121,736
Auditors' remuneration – audit fees – parent	18,000	22,000
Auditors' remuneration – audit fees - subsidiaries	14,000	20,415
Depreciation - owned assets	316,405	501,500
Amortisation - owned assets	161,740	107,367
Hire of equipment and vehicles	282,233	353,995

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 31.12.18	Year Ended 31.12.17
	£	£
Wages and salaries	3,272,025	3,576,751
Social security costs	340,663	350,284
Pension and other benefit costs	291,288	237,229
	3,903,976	4,164,264

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 31.12.18	Year Ended 31.12.17
	£	£
£70,000 - £79,999	1	1
£100,000 - £109,999	1	1
	2	2

Trustees' remuneration

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.

Trustees' expenses

	Year Ended 31.12.18	Year Ended 31.12.17
	£	£
Trustees' expenses, travel and meeting costs	50,385	77,764

Trustees expenses represents the payment or reimbursement of travel and subsistence incurred by 16 (2017: 15) trustees relating to attendance at meetings of the trustees, at meetings of trustees of subsidiary companies and in relation to other management activities.

The cost of key management personnel

The key management personnel of the charitable company comprise the trustees, the Chief Executive Officer, and Chief Financial Officer. The total employee benefits (including pension contributions and employer's national insurance) amounted to £176,498 (2017: £256,185).

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 Head of Laboratory & Operations and the Laboratory Manager. The total employee benefits (including pension contributions and employer's national insurance) amounted to £90,306 (2017: £145,932). The total employee benefits for the group amounted to £266,803 (2017: £402,117).

12. STAFF COSTS

	Year Ended 31.12.18 Number	Year Ended 31.12.17 Number
	£	£
Average monthly head count (including casual and part-time staff)	120	121

Included in the average number of employees are 14 (2017: 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 2018	1,063,628
Additions	17,199
At 31 December 2018	1,080,827
AMORTISATION	
At 1 January 2018	192,495
Charge for year	161,740
At 31 December 2018	354,235
NET BOOK VALUE	
At 31 December 2018	726,592
At 31 December 2018	871,133

14. TANGIBLE FIXED ASSETS

The Group

	Freehold land and buildings	Plant and machinery	Totals
	£	£	£
COST OR VALUATION			
At 1 January 2018	8,312,386	2,891,731	11,204,117
Additions	-	24,819	24,819
Disposals	-	(54,140)	(54,140)
At 31 December 2018	8,312,386	2,862,410	11,174,796
DEPRECIATION			
At 1 January 2018	-	2,056,795	2,056,795
Charge for year	30,494	285,911	316,405
Disposals	-	(54,140)	(54,140)
At 31 December 2018	30,494	2,288,566	2,319,060
NET BOOK VALUE			
At 31 December 2018	8,281,892	573,844	8,855,736
At 31 December 2017	8,312,386	834,936	9,147,322

14. TANGIBLE FIXED ASSETS CONTINUED

The Charity

	Freehold land and buildings	Plant and machinery	Totals
	£	£	£
COST OR VALUATION			
At 1 January 2018	8,312,386	606,694	8,919,080
Additions	-	9,784	9,784
Disposals	-	(54,140)	(54,140)
At 31 December 2018	8,312,386	562,338	8,874,724
DEPRECIATION			
At 1 January 2018	-	571,092	571,092
Charge for year	30,494	33,026	63,520
Disposals	-	(54,140)	(54,140)
At 31 December 2018	30,494	549,978	580,472
NET BOOK VALUE			
At 31 December 2018	8,281,892	12,360	8,294,252
At 31 December 2017	8,312,386	35,602	8,347,988

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 trustees' valuation. Speir House valuation was undertaken by Towler Shaw Roberts LLP, Chartered Surveyors, on the 1 December 2015. The historical cost of freehold land and buildings were £352,948 and £762,386 (2017: £352,948 and £762,386) respectively.

15. FIXED ASSET INVESTMENTS

The Group

	Listed investments
	£
MARKET VALUE	
At 1 January 2018	1,340,217
Additions at cost	224,032
Disposals	(210,803)
Net losses	(74,449)
MARKET VALUE	
At 31 December 2018	1,278,997
At 31 December 2017	1,340,217

The Charity

	Shares in group undertakings	Listed investments	Totals
	£	£	£
MARKET VALUE			
At 1 January 2018	765,985	1,340,217	2,106,202
Additions at cost	-	224,032	224,032
Disposals	-	(210,803)	(210,803)
Net losses	-	(74,449)	(74,449)
MARKET VALUE			
At 31 December 2018	765,985	1,278,997	2,044,982
At 31 December 2017	765,985	1,340,217	2,106,202

Analysis of listed investments:

	31.12.18	31.12.17
	£	£
Corporate Bonds - fixed interest	243,812	71,169
Equities - listed UK	335,690	648,575
Equities - listed international	527,264	557,848
Property and alternatives	172,231	62,625
	1,278,997	1,340,217

The Group and Charity

Included within listed investments are overseas investments amounting to £527,264 (2017: £557,848).

The historical cost of investments was £1,263,861 (2017: £1,250,304). 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		
		31.12.18	31.12.17
		£	£
Aggregate capital and reserves		765,985	765,985
Loss for the year		-	(7,340)

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 2018. The historically cost 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%

	31.12.18	31.12.17
	£	£
Aggregate reserves	(161,922)	(161,922)
Profit for the year	-	-

The results of the subsidiary have been included in the financial statements. The subsidiary has negative reserves as at 31 December 2018 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%

	31.12.18	31.12.17
	£	£
Aggregate reserves	(258,439)	(207,034)
Loss for the year	(51,405)	(207,034)

The results of the subsidiary have been included in the financial statements. The subsidiary has negative reserves as at 31 December 2018 and has been fully impaired.

16. INVESTMENT PROPERTY

The Group and Charity

	£
MARKET VALUE	
At 1 January 2018	2,000,000
MARKET VALUE	
At 31 December 2018	2,000,000
At 31 December 2017	2,000,000

The Group and Charity

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 (2017: £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 trustees' valuation. Speir House valuation was undertaken by Towler Shaw Roberts LLP, Chartered Surveyors, on the 1 December 2015. The historical cost of the properties were £411,295 and £762,386 (2017: £411,295 and £762,386) respectively. Speir House is occupied by both the charity and its subsidiaries, and accordingly the property has been classified to tangible fixed assets.

17. STOCKS

	Group	Group	Charity	Charity
	31.12.18	31.12.17	31.12.18	31.12.17
	£	£	£	£
Laboratory consumables	212,087	77,383	-	-

18. DEBTORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 31.12.18	Group 31.12.17	Charity 31.12.18	Charity 31.12.17
	£	£	£	£
Trade debtors	1,336,295	1,397,893	575,808	531,359
Amounts owed by group undertakings	-	-	1,169,274	570,097
Other debtors	90,430	388,000	88,244	159,290
Prepayments and accrued income	242,247	223,859	139,429	79,576
	1,668,972	2,009,752	1,972,755	1,340,322

19. CREDITORS: AMOUNTS FALLING DUE WITHIN ONE YEAR

	Group 31.12.18	Group 31.12.17	Charity 31.12.18	Charity 31.12.17
	£	£	£	£
Bank overdrafts	310,281	947,730	290,778	555,038
Trade creditors	500,220	922,836	288,879	398,451
Amounts due by group undertakings	-	-	483,806	174,859
Social security and other taxes	110,841	125,224	35,640	50,809
VAT	199,231	125,321	(15,333)	(13,617)
Other creditors	121,177	158,514	14,311	7,443
Accruals	74,437	89,403	43,023	40,999
	1,316,187	2,369,028	1,141,104	1,213,982

20. OPERATING LEASE COMMITMENTS

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

	Group 31.12.18	Group 31.12.17	Charity 31.12.18	Charity 31.12.17
	£	£	£	£
Expiring:				
Less than one year	322,829	408,555	193,402	222,306
Between one and five years	545,147	344,800	481,279	197,083
	867,976	753,355	674,681	419,389

21. SECURED DEBTS

The following secured debts are included within creditors:

	Group 31.12.18	Group 31.12.17	Charity 31.12.18	Charity 31.12.17
	£	£	£	£
Bank overdrafts	310,281	947,730	290,778	555,038
Trade creditors	500,220	922,836	288,879	398,451
VAT	199,231	125,321	(15,333)	(13,617)

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 1.1.18	Net movements in funds	Transfers	At 31.12.18
	£	£	£	£
Unrestricted funds				
Free reserves	5,101,039	453,596	-	5,554,635
Non-charitable subsidiaries	397,029	(51,405)	-	345,624
Revaluation reserve fixed assets	7,598,360	-	-	7,598,360
TOTAL FUNDS	13,096,428	402,191	-	13,498,619

The Charity

	At 1.1.18	Net movements in funds	At 31.12.18
	£	£	£
Unrestricted funds			
Free reserves	5,867,022	453,596	6,320,618
Revaluation reserve tangible assets	7,598,360	-	7,598,360
TOTAL FUNDS	13,465,382	453,596	13,918,978

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	2,966,306	(3,629,034)	(79,886)	(742,614)
Non-charitable subsidiaries	8,013,769	(6,868,964)	-	1,144,805
TOTAL FUNDS	10,980,075	(10,497,998)	(79,886)	402,191

The Charity

	Incoming resources	Resources expended	Gains and (losses)	Movement in funds
	£	£	£	£
Unrestricted funds				
Free reserves	3,843,802	(3,310,320)	(79,886)	453,596
TOTAL FUNDS	3,843,802	(3,310,320)	(79,886)	453,596

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 (2017: £36,000);
- the provision of staff by the charity to CIS and NBDC amounted to £311,232 (2017: £151,555) and £7,482 (2017: £17,580) respectively;
- the provision of administrative costs by the charity to CIS and NBDC amounted to £34,313 (2017: £30,126) and £7,547 (2017: £nil) respectively;
- the transfer of gift aid of the trading profits of CIS to the charity of £841,497 (2017: £531,121);
- the outstanding balances as at 31 December 2018, from the charity to CIS was £483,806 (2017: £174,859), and from CDI and NBDC to the charity was £212,376 (2017: £210,851) and £956,898 (2017: £359,246) respectively;
- 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 sheet events.

27. FINANCIAL INSTRUMENTS

The Group

The group has the following financial instruments:

		31.12.18	31.12.17
	Notes	£	£
Financial assets that are debt instruments measured at amortised cost			
- Cash and cash equivalents	32	72,422	19,649
- Trade debtors	18	1,336,295	1,397,893
- Other debtors - excluding taxes	18	90,430	388,000
		1,499,147	1,805,542
Financial liabilities measured at amortised cost			
- Bank overdrafts	19	310,281	947,730
- Trade creditors	19	500,220	922,836
- Other creditors - excluding taxes	19	121,177	158,514
- Accruals	19	74,437	89,403
		1,006,115	2,118,483

The Charity

The charity has the following financial instruments:

		31.12.18	31.12.17
	Notes	£	£
Financial assets that are debt instruments measured at amortised cost			
- Cash and cash equivalents		21,501	13,719
- Trade debtors	18	575,808	531,359
- Amount owed by group undertaking	18	1,169,274	570,097
- Other debtors - excluding taxes	18	88,244	159,290
		1,854,827	1,274,465
Financial liabilities measured at amortised cost			
- Bank overdrafts	21	290,778	555,038
- Trade creditors	19	288,879	398,451
- Other creditors - excluding taxes	19	498,117	182,302
- Accruals	19	43,023	40,999
		1,120,797	1,176,790

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 31.12.18	Year Ended 31.12.17
	£	£
Net (loss)/income for the reporting year (as per the consolidated statement of financial activities)	402,191	(730,065)
Adjustments for:		
Depreciation and amortisation charges	478,145	608,867
Losses/(gains) on investments	74,449	(120,660)
Dividends received	(42,505)	(30,543)
(Increase)/decrease in stocks	(134,704)	25,637
Decrease/(increase) in debtors	340,780	(278,709)
(Decrease)/increase in creditors	(415,392)	353,279
Net cash provided by/(used in) operating activities	702,964	(172,194)

32. ANALYSIS OF CASH AND CASH EQUIVALENTS

	31.12.18	31.12.17
	£	£
Cash at bank and in hand	72,422	19,649
Overdraft facilities repayable on demand	(310,281)	(947,730)
Total cash and cash equivalents	(237,859)	(928,081)

DETAILED STATEMENT OF FINANCIAL ACTIVITIES

	Year Ended 31.12.18	Year Ended 31.12.17
	£	£
INCOME		
Donations		
Gift aid	54,141	16,802
Charitable activities		
Member subscription fees	264,123	260,836
Herd book entry fees	1,623,149	1,592,799
Re-issue, transfer fees and fines	80,413	65,342
Superior producer awards	28,669	24,581
Journal advertising	37,952	37,997
Catalogue and herd brochure services	202	3,524
Other society services	10,935	13,186
Herd book services and sundry income	236,383	177,900
Livestock events	435,552	440,787
	2,717,378	2,616,952
Other trading activities		
Testing and recording	6,795,475	6,346,720
Registrations and classification	1,060,191	1,015,484
Genomic testing	95,199	105,195
Sundry income	62,904	75,161
	8,013,769	7,542,560
Investment income		
Rents received	152,282	121,736
Dividends receivable	42,505	30,543
	194,787	152,279
Total income	10,980,075	10,328,593

	Year Ended 31.12.18	Year Ended 31.12.17
	£	£
EXPENDITURE		
Other trading activities		
Director's fees	2,673	6,166
Wages and salaries	2,057,095	2,199,738
Social security costs	210,477	214,364
Pensions and other benefit costs	163,426	144,514
Hire of equipment and vehicles	227,203	239,121
Speir House and laboratory costs	1,732,213	1,716,464
Vehicle costs	194,920	164,282
Subcontractors	1,499,872	1,405,255
Telephone	15,454	1,135
Postage and stationery	131,718	68,685
Marketing, media and promotion	18,114	73,331
Staff training, recruitment and other office costs	217,047	247,357
Carried forward	6,470,212	6,480,412
Other trading activities		
Brought forward	6,470,212	6,480,412
Trade and membership fees	-	1,784
Equipment fees and licencing	1,146	54,765
General administration	94,028	18,397
Consultancy costs	41,002	65,435
Legal and professional	4,366	9,780
Auditors' remuneration	14,000	20,415
Corporation tax	(7,341)	7,341
Depreciation of tangible fixed assets	252,885	340,176
Profit on disposal of fixed assets	(1,334)	-
	6,868,964	6,998,505

	Year Ended 31.12.18	Year Ended 31.12.17
	£	£
EXPENDITURE		
Charitable activities		
Salaries and wages	1,214,930	1,370,847
Social security costs	130,186	135,920
Pensions and other benefit costs	127,862	92,715
Hire of equipment and vehicles	55,030	114,874
Marketing and publicity	62,870	99,719
Testing - parentage	111,944	104,794
Livestock events	668,597	669,656
Journal printing and circulation	150,150	123,630
Facilities management and utilities	147,238	220,505
Telephone	54,069	79,954
Postage and stationery	104,662	135,258
Computer maintenance	145,357	165,866
IT development charges	27,571	27,476
Field staff costs	71,250	108,428
Professional fees and charges	79,279	228,490
Staff training, recruitment and other office costs	154,549	111,457
Bank charges	29,845	22,769
Amortisation of intangible assets	161,740	107,367
Depreciation of tangible fixed assets	63,520	161,324
	3,560,649	4,081,049
Support costs - governance costs		
Trustees' expenses	50,385	77,764
Auditors' remuneration	18,000	22,000
	68,385	99,764
Total expenditure	10,497,998	11,179,318
Net gains/(losses) on investments		
(Losses)/gains on listed investments	(79,886)	120,660
Net income/(loss)	402,191	(730,065)



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