

Meat and Livestock Commission
PO Box 44
Winterhill House
Snowdon Drive
Milton Keynes
MK6 1AX

Tel: 01908 677577
Fax: 01908 609221
Email: contactus@mlc.org.uk
Web: www.mlc.org.uk

Published by TSO (The Stationery Office) and available from:

Online
www.tso.co.uk/bookshop

Mail, Telephone, Fax & E-mail
TSO
PO Box 29, Norwich NR3 1GN
Telephone orders/General enquiries 0870 600 5522
Fax orders 0870 600 5533
Order through the Parliamentary Hotline Lo-call 0845 7 023474
E-mail book.orders@tso.co.uk
Textphone 0870 240 3701

TSO Shops
123 Kingsway, London WC2B 6PQ
020 7242 6393 Fax 020 7242 6394
68-69 Bull Street, Birmingham B4 6AD
0121 236 9696 Fax 0121 236 9699
9-21 Princess Street, Manchester M60 8AS
0161 834 7201 Fax 0161 833 0634
16 Arthur Street, Belfast BT1 4GD
028 9023 8451 Fax 028 9023 5401
18-19 High Street, Cardiff CF10 1PT
029 2039 5548 Fax 029 2038 4347
71 Lothian Road, Edinburgh EH3 9AZ
0870 606 5566 Fax 0870 606 5588

The Parliamentary Bookshop
12 Bridge Street, Parliament Square,
London SW1A 2JX
Telephone orders/General enquiries 020 7219 3890
Fax orders 020 7219 3866

TSO Accredited Agents
(see Yellow Pages)

and through good booksellers

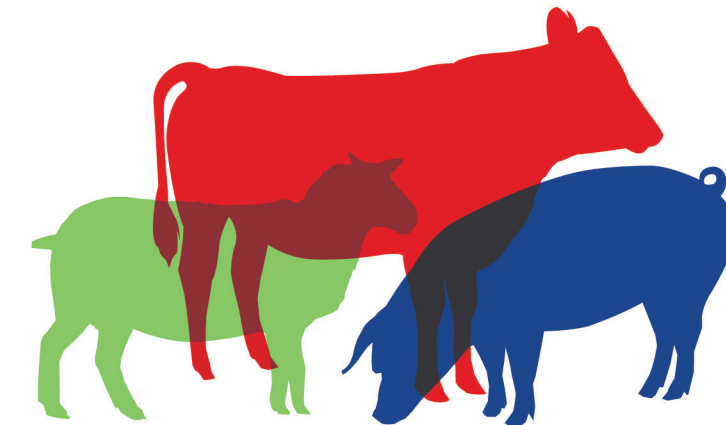
ISBN 0 10 293792 3



Meat and Livestock Commission Annual Report and Accounts 2006

2006 | ANNUAL REPORT

MEAT AND LIVESTOCK COMMISSION



TSO



Meat and Livestock Commission Annual Report and Accounts 2006

Volume I - Meat and Livestock Commission Annual Report and Accounts 2006

Presented to the House of Commons pursuant to section 19 of the Agriculture Act 1967

Ordered by the House of Commons to be printed 13 July 2006

HC 1168 - I
SE 2006/80

London: The Stationery Office

Not to be sold Separately

Meat and Livestock Commission Annual Report and Accounts 2006

Volume I - Meat and Livestock Commission Annual Report and Accounts 2006

Presented to the House of Commons pursuant to section 19 of the Agriculture Act 1967

Ordered by the House of Commons to be printed 13 July 2006

London: The Stationery Office

HC 1168 - I
SE 2006/80

Not to be sold Separately

About the Meat and Livestock Commission

The Meat and Livestock Commission (MLC) was set up under the 1967 Agriculture Act. Its remit is to work with the British meat and livestock industry (cattle, sheep and pigs) to improve the industry's efficiency and competitive position; and to maintain and stimulate markets for red meat at home and British meat abroad, with due regard for the consumer.

MLC is a Non-Departmental Public Body (NDPB). It is funded through the collection of levies on sheep, pigs and cattle slaughtered for human consumption. This is supplemented by EU and Government grants and from money earned from its own commercial operations.

MLC operates as a federal structure. A board of Commissioners appointed by Ministers oversees the strategic direction of the MLC and ensures it fulfils its statutory duties efficiently. The responsibility for setting and delivering strategies and deploying levy income rests with the executive boards of four bodies:

British Pig Executive (BPEX)

BPEX determines the MLC pig strategy and ensures that levy payers' money is deployed effectively and efficiently. It is an executive committee that operates with maximum autonomy within MLC.

English Beef and Lamb Executive (EBLEX)

EBLEX has strategic responsibility for the deployment of all MLC cattle and sheep levies raised in England. It is an executive committee that operates with maximum autonomy within MLC.

Hybu Cig Cymru/Meat Promotion Wales (HCC)

HCC is the strategic body for the promotion and development of the Welsh red meat industry. HCC is fully accountable through MLC for the use of the Welsh levy funds transferred to it.

Quality Meat Scotland (QMS)

QMS is the separate strategic body for the red meat industry in Scotland. QMS is fully accountable to the Scottish Parliament for the use of the Scottish levy funds transferred to it.

MLC levy rates

- The general levy is jointly paid by producer and slaughterer; raised on all cattle, sheep and pigs slaughtered in Great Britain or exported live.
- The promotion levy, raised on each animal slaughtered, is paid wholly by the producer.

Species	General levy per head	Promotion levy per head	Total levy collected per head	Total paid by producer per head	Total paid by slaughterer per head
Cattle	£2.15	£2.42	£4.57	£3.495	£1.075
Calves (up to 68 kg)	£0.14		£0.14	£0.07	£0.07
Pigs	£0.40	£0.65	£1.05	£0.85	£0.20
Sheep	£0.33	£0.34	£0.67	£0.505	£0.165

About the Meat and Livestock Commission

The Meat and Livestock Commission (MLC) was set up under the 1967 Agriculture Act. Its remit is to work with the British meat and livestock industry (cattle, sheep and pigs) to improve the industry's efficiency and competitive position; and to maintain and stimulate markets for red meat at home and British meat abroad, with due regard for the consumer.

MLC is a Non-Departmental Public Body (NDPB). It is funded through the collection of levies on sheep, pigs and cattle slaughtered for human consumption. This is supplemented by EU and Government grants and from money earned from its own commercial operations.

MLC operates as a federal structure. A board of Commissioners appointed by Ministers oversees the strategic direction of the MLC and ensures it fulfils its statutory duties efficiently. The responsibility for setting and delivering strategies and deploying levy income rests with the executive boards of four bodies:

British Pig Executive (BPEX)

BPEX determines the MLC pig strategy and ensures that levy payers' money is deployed effectively and efficiently. It is an executive committee that operates with maximum autonomy within MLC.

English Beef and Lamb Executive (EBLEX)

EBLEX has strategic responsibility for the deployment of all MLC cattle and sheep levies raised in England. It is an executive committee that operates with maximum autonomy within MLC.

Hybu Cig Cymru/Meat Promotion Wales (HCC)

HCC is the strategic body for the promotion and development of the Welsh red meat industry. HCC is fully accountable through MLC for the use of the Welsh levy funds transferred to it.

Quality Meat Scotland (QMS)

QMS is the separate strategic body for the red meat industry in Scotland. QMS is fully accountable to the Scottish Parliament for the use of the Scottish levy funds transferred to it.

MLC levy rates

- The general levy is jointly paid by producer and slaughterer; raised on all cattle, sheep and pigs slaughtered in Great Britain or exported live.
- The promotion levy, raised on each animal slaughtered, is paid wholly by the producer.

Species	General levy per head	Promotion levy per head	Total levy collected per head	Total paid by producer per head	Total paid by slaughterer per head
Cattle	£2.15	£2.42	£4.57	£3.495	£1.075
Calves (up to 68 kg)	£0.14		£0.14	£0.07	£0.07
Pigs	£0.40	£0.65	£1.05	£0.85	£0.20
Sheep	£0.33	£0.34	£0.67	£0.505	£0.165

Contents

04	MLC Chairman's foreword
06	MLC Board of Commissioners and statutory committees
08	MLC Director General's report
14	Consumers Committee Chairman's report

Section 1. MLC

16	BPEX Chairman's report
----	------------------------

Section 2. BPEX

24	EBLEX Chairman's report
----	-------------------------

Section 3. EBLEX

30	HCC Chairman's report
----	-----------------------

Section 4. HCC

34	QMS Chairman's report
----	-----------------------

Section 5. QMS

38	MLC Commercial Services report
----	--------------------------------

Section 6. MLC Commercial Services

41	Directors' remuneration report
----	--------------------------------

Section 7. Directors' remuneration report

Section 8. Accounts for the year ended 31 March 2006

42	Introduction, foreword and principal activities
46	Statement on internal control
50	Certificate and report of the Comptroller and Auditor General
52	Income and expenditure account and balance sheet
57	Notes to accounts

Section 9. Offices and glossary

86	Offices
87	Glossary of abbreviations

Thirty-ninth Annual Report to the Secretary of State for Environment, Food and Rural Affairs, Scottish Ministers and the Welsh Assembly Government, and Statement of Accounts for the year ended 31 March 2006.

Auditors: Comptroller and Auditor General, National Audit Office, 157-197 Buckingham Palace Road, London SW1W 9SP

Designed by: Glow Associates Limited

Photography by: Jim Winslet

Contents

Section 1. MLC

04	MLC Chairman's foreword
06	MLC Board of Commissioners and statutory committees
08	MLC Director General's report
14	Consumers Committee Chairman's report

Section 2. BPEX

16	BPEX Chairman's report
----	------------------------

Section 3. EBLEX

24	EBLEX Chairman's report
----	-------------------------

Section 4. HCC

30	HCC Chairman's report
----	-----------------------

Section 5. QMS

34	QMS Chairman's report
----	-----------------------

Section 6. MLC Commercial Services

38	MLC Commercial Services report
----	--------------------------------

Section 7. Directors' remuneration report

41	Directors' remuneration report
----	--------------------------------

Section 8. Accounts for the year ended 31 March 2006

42	Introduction, foreword and principal activities
46	Statement on internal control
50	Certificate and report of the Comptroller and Auditor General
52	Income and expenditure account and balance sheet
57	Notes to accounts

Section 9. Offices and glossary

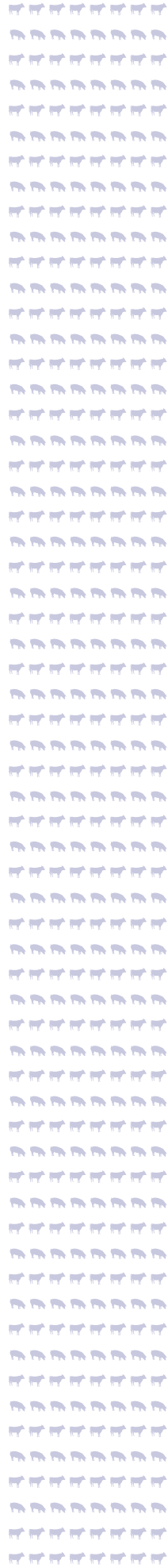
86	Offices
87	Glossary of abbreviations

Thirty-ninth Annual Report to the Secretary of State for Environment, Food and Rural Affairs, Scottish Ministers and the Welsh Assembly Government, and Statement of Accounts for the year ended 31 March 2006.

Auditors: Comptroller and Auditor General, National Audit Office, 157-197 Buckingham Palace Road, London SW1W 9SP

Designed by: Glow Associates Limited

Photography by: Jim Winslet



Peter Barr, CBE
Chairman, MLC

MLC CHAIRMAN'S FOREWORD

I am passionately committed to a competitive and sustainable GB livestock farming and processing sector. My vision is of a livestock sector producing consistent quality products that meet exacting market requirements, while at the same time caring for and protecting our natural resources.

It is, however, only with economic success that farmers can deliver true sustainability.

The beef and sheep sectors are going through their biggest change for a generation as a result of CAP Reform. The whole red meat sector has also been facing increased global competition and significant import pressure, exacerbated by the sector's heavy dependence on increasingly price-driven multiple retailers.

The ability for much needed reinvestment has been squeezed out of the supply chain and the primary producers have mainly ended up as price takers, with too many not even breaking even.

Against this background, the recent Radcliffe Report into the future of GB levy boards confirmed our analysis that there is a continued need for market intervention across the GB livestock sector and that our industry needs the continued support of an effective and efficient levy board structure to help create a more competitive and sustainable future.

Federal MLC – BPEX, EBLEX, HCC and QMS - is a vital catalyst for change within the red meat industry and has a well-deserved reputation for effective delivery, professionalism and unrivalled expertise.

With our help the industry now enjoys a tremendously robust home marketplace with both the image and consumption of red meat recovered to pre-BSE and pre-Foot and Mouth Disease levels. This country is also recognised for producing some of the highest quality beef, lamb and pork in the world.

However, it is not possible for our industry to compete as a lowest-cost producer. The challenge we face is to help our industry to close the gap - at one end, through greater technical and financial efficiencies and, at the other end, through enhanced product quality and differentiation. Federal MLC policy and work streams are all designed to help achieve this.

MLC CHAIRMAN'S FOREWORD

I am passionately committed to a competitive and sustainable GB livestock farming and processing sector. My vision is of a livestock sector producing consistent quality products that meet exacting market requirements, while at the same time caring for and protecting our natural resources.

It is, however, only with economic success that farmers can deliver true sustainability.

The beef and sheep sectors are going through their biggest change for a generation as a result of CAP Reform. The whole red meat sector has also been facing increased global competition and significant import pressure, exacerbated by the sector's heavy dependence on increasingly price-driven multiple retailers.

The ability for much needed reinvestment has been squeezed out of the supply chain and the primary producers have mainly ended up as price takers, with too many not even breaking even.

Against this background, the recent Radcliffe Report into the future of GB levy boards confirmed our analysis that there is a continued need for market intervention across the GB livestock sector and that our industry needs the continued support of an effective and efficient levy board structure to help create a more competitive and sustainable future.

Federal MLC – BPEX, EBLEX, HCC and QMS - is a vital catalyst for change within the red meat industry and has a well-deserved reputation for effective delivery, professionalism and unrivalled expertise.

With our help the industry now enjoys a tremendously robust home marketplace with both the image and consumption of red meat recovered to pre-BSE and pre-Foot and Mouth Disease levels. This country is also recognised for producing some of the highest quality beef, lamb and pork in the world.

However, it is not possible for our industry to compete as a lowest-cost producer. The challenge we face is to help our industry to close the gap - at one end, through greater technical and financial efficiencies and, at the other end, through enhanced product quality and differentiation. Federal MLC policy and work streams are all designed to help achieve this.



Peter Barr, CBE
Chairman, MLC





Getting the right market signals coming through our supply chains remains a critical factor and the multiple retailers will increasingly be pressed to play a leadership role in this.

MLC Commissioners and the staff of the executive and federal bodies have delivered an enormous amount of work during the past year across areas such as production efficiency, diet and health, the marketing of meat at home and abroad, addressing the challenge of increasing import penetration, and defending the industry and the reputation of red meat in the media.

I thank them for their support, their commitment and for the difference they are making towards helping to shape a vibrant, profitable and sustainable GB red meat and livestock business in the face of global competition.

This annual report outlines the work of the federal MLC.

Peter Barr, CBE
Chairman

Meat and Livestock Commission



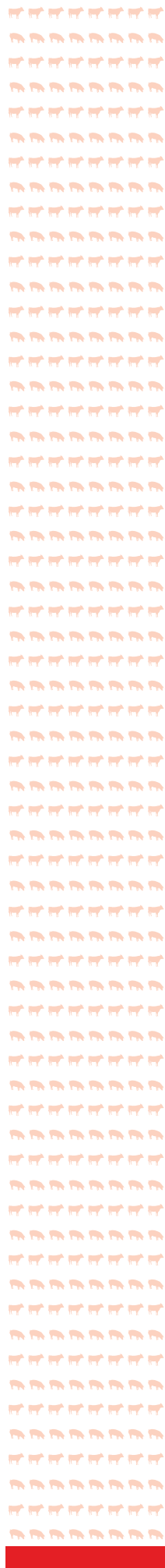
Getting the right market signals coming through our supply chains remains a critical factor and the multiple retailers will increasingly be pressed to play a leadership role in this.

MLC Commissioners and the staff of the executive and federal bodies have delivered an enormous amount of work during the past year across areas such as production efficiency, diet and health, the marketing of meat at home and abroad, addressing the challenge of increasing import penetration, and defending the industry and the reputation of red meat in the media.

I thank them for their support, their commitment and for the difference they are making towards helping to shape a vibrant, profitable and sustainable GB red meat and livestock business in the face of global competition.

This annual report outlines the work of the federal MLC.

Peter Barr, CBE
Chairman
Meat and Livestock Commission



MLC Board of Commissioners

As at 31 March 2006

The Board of Commissioners oversees MLC's statutory responsibilities and the effective corporate governance of MLC. It also seeks to avoid duplication and identifies areas of common interest across the four MLC federal bodies.

Peter Barr CBE
Chairman
 Appointed as Chairman in April 2001 for a term of three years and re-appointed in April 2004 for a further three years.

Mr Paul Kirk
Deputy Chairman
 Appointed as Deputy Chairman in October 1999 for a term of three years, re-appointed in October 2002 and extended in October 2005 for a further 18 months.

Helen Browning OBE
Independent farming and processing sectors and organic sector representative
 Appointed as a Commissioner in October 1999 for a term of three years, re-appointed in October 2002 and extended in October 2005 for a further 18 months.

Richard Cracknell
GB abattoir/processor representative
 Appointed as a Commissioner in October 2002 for a term of three years, re-appointed in October 2002 and extended in October 2005 for a further 18 months.

John Cross
Chairman of the English Beef and Lamb Executive (EBLEX)
 Appointed as a Commissioner in October 2002 for a term of three years, extended in October 2005 for a further 18 months.

Dr Kevin Hawkins OBE
Multiple retailer and food service sector representative
 Appointed as a Commissioner in October 2002 for a term of three years, extended in October 2005 for a further 18 months.

Stewart Houston
Chairman of the British Pig Executive (BPEX)
 Appointed as a Commissioner in October 2002 for a term of three years, extended in October 2005 for a further 18 months.

Professor Richard Moody
Consumers Commissioner
 Appointed as a Commissioner in October 1999 for a term of three years, re-appointed in October 2002 and extended in October 2005 for a further 18 months.



MLC Board of Commissioners

As at 31 March 2006

The Board of Commissioners oversees MLC's statutory responsibilities and the effective corporate governance of MLC. It also seeks to avoid duplication and identifies areas of common interest across the four MLC federal bodies.

Peter Barr CBE
Chairman
 Appointed as Chairman in April 2001 for a term of three years and re-appointed in April 2004 for a further three years.

Mr Paul Kirk
Deputy Chairman
 Appointed as Deputy Chairman in October 1999 for a term of three years, re-appointed in October 2002 and extended in October 2005 for a further 18 months.

Helen Browning OBE
Independent farming and processing sectors and organic sector representative
 Appointed as a Commissioner in October 1999 for a term of three years, re-appointed in October 2002 and extended in October 2005 for a further 18 months.

Richard Cracknell
GB abattoir/processor representative
 Appointed as a Commissioner in October 2002 for a term of three years, extended in October 2005 for a further 18 months.

John Cross
Chairman of the English Beef and Lamb Executive (EBLEX)
 Appointed as a Commissioner in October 2002 for a term of three years, extended in October 2005 for a further 18 months.

Dr Kevin Hawkins OBE
Multiple retailer and food service sector representative
 Appointed as a Commissioner in October 2002 for a term of three years, extended in October 2005 for a further 18 months.

Stewart Houston
Chairman of the British Pig Executive (BPEX)
 Appointed as a Commissioner in October 2002 for a term of three years, extended in October 2005 for a further 18 months.

Professor Richard Moody
Consumers Commissioner
 Appointed as a Commissioner in October 1999 for a term of three years, re-appointed in October 2002 and extended in October 2005 for a further 18 months.

Rees Roberts OBE
Welsh Commissioner and Chairman of Hybu Cig Cymru (HCC)
 Appointed as a Commissioner in October 1999 for a term of three years, re-appointed in October 2002 and extended in October 2005 for a further 18 months.

Neil Stoddart
GB abattoir/processor representative
 Appointed as a Commissioner in October 2002 for a term of three years, extended in October 2005 for a further 18 months.

Jim Walker CBE
Scottish Commissioner and Chairman of Quality Meat Scotland (QMS)
 Jim Walker's three year term as Scottish Commissioner expired on 31 March 2006. Donald Biggar was appointed as Interim Chairman of QMS in October 2005 following Mr Walker's departure from this post.

Register of interests
 A register of Commissioner interests can be obtained by writing to the Company Secretary at the Head Office of the Meat and Livestock Commission.

Biographies
 A short biography of each MLC Commissioner is available on the MLC website: www.mlc.org.uk.



Statutory committees

As at 31 March 2006

Consumers Committee

The Consumers Committee ensures that the views of consumers are represented in MLC's work.

Professor Richard Moody (Chairman),
MLC Consumers Commissioner

Frances Gallagher, Educational Quality Assurance Adviser for
Glasgow City Council (Scottish representative)

Dr Elizabeth Nelson, Chair of Executive Committee, Wellbeing,
Royal College of Obstetricians and Gynaecologists

Hilary Wood, beef producer

Sally Trice, catering consultant

Alan Deacon (Welsh representative)

Karen Tonks (Observer), Trading, Law and Technical,
Tesco Stores Limited

(**Catherine Reynolds**, Head of Communications,
Institute of Food Research stepped down in December 2005)

Regular attendees from MLC:

Kevin Roberts, Director General
Richard Lowe, Consumer Affairs Director
Bernadette Garvey, Company Secretary
Jenny Spencer, Industry Services and Consumer Issues Manager

Biographies

A short biography of each member of the Consumers Committee, and the terms of reference, are available on the MLC website: www.mlc.org.uk.

Audit Committee

Paul Kirk (Chairman), MLC Commissioner

Richard Cracknell, MLC Commissioner

John Cross, MLC Commissioner

Stewart Houston, MLC Commissioner (appointed in February
2006 when Helen Browning OBE stepped down)

Regular attendees from MLC:

Kevin Roberts, Director General
Shaun Tillery, Financial Controller
Bernadette Garvey, Company Secretary
Representative from MLC's appointed auditors

Statutory committees

As at 31 March 2006

Consumers Committee

The Consumers Committee ensures that the views of consumers are represented in MLC's work.

Professor Richard Moody (Chairman),
MLC Consumers Commissioner

Frances Gallagher, Educational Quality Assurance Adviser for
Glasgow City Council (Scottish representative)

Dr Elizabeth Nelson, Chair of Executive Committee, Wellbeing,
Royal College of Obstetricians and Gynaecologists

Hilary Wood, beef producer

Sally Trice, catering consultant

Alan Deacon (Welsh representative)

Karen Tonks (Observer), Trading, Law and Technical,
Tesco Stores Limited

(**Catherine Reynolds**, Head of Communications,
Institute of Food Research stepped down in December 2005)

Regular attendees from MLC:

Kevin Roberts, Director General
Richard Lowe, Consumer Affairs Director
Bernadette Garvey, Company Secretary
Jenny Spencer, Industry Services and Consumer Issues Manager

Biographies

A short biography of each member of the Consumers Committee, and the terms of reference, are available on the MLC website: www.mlc.org.uk.

Audit Committee

Paul Kirk (Chairman), MLC Commissioner

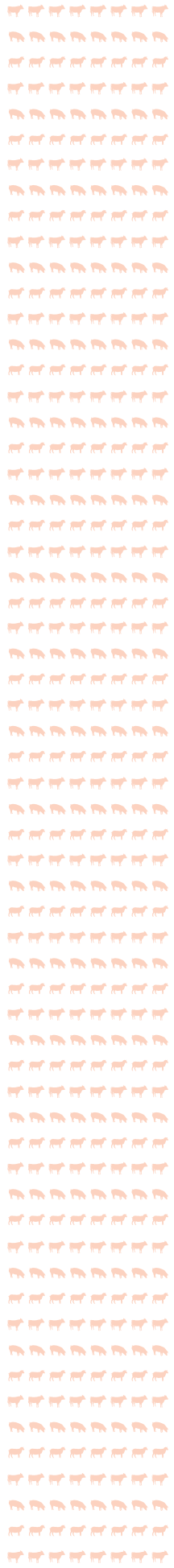
Richard Cracknell, MLC Commissioner

John Cross, MLC Commissioner

Stewart Houston, MLC Commissioner (appointed in February
2006 when Helen Browning OBE stepped down)

Regular attendees from MLC:

Kevin Roberts, Director General
Shaun Tillery, Financial Controller
Bernadette Garvey, Company Secretary
Representative from MLC's appointed auditors



Kevin Roberts,
Director General, MLC

MLC DIRECTOR GENERAL'S REPORT

Unlike some other EU markets Britain continues to enjoy very robust red meat consumption, thanks to the work of organisations such as the federal MLC.

It has been another year of change and challenge for the red meat industry as we helped it grapple with the impact of CAP reform, respond to increased competition from overseas and struggle to find profitability in the face of downward pressure on farmgate prices. We have also had notable success with helping to reduce salt in manufactured meat products and in pivotal aspects of the industry's and government/agencies' preparations for the return of older beef to the foodchain.

Delivering good 'value for money' back to levy-payers remains a cornerstone of MLC policy, along with the effective control of support services costs and linking with other organisations to develop partnership working arrangements to the advantage of our levy payers. All of this is underpinned by a robust and mature corporate governance control framework and a modern technology infrastructure.

I am proud of the professional approach and performance of MLC staff this past year, especially so given the uncertainties and 'state of limbo' that has existed while we await Defra's decision following its root and branch review of levy boards which started in March 2005.

Our financial results

The income and expenditure account for the year ended 31 March 2006 and the balance sheet at the same date are set out on pages 52 to 55. MLC generated a surplus of £2.53m for the year to 31 March 2006 compared with a surplus of £236k for the previous year. The reported surplus for the year was affected by net proceeds from the EFSIS sale of £2.92m and a £1.90m net surplus resulting from the adoption of FRS 17: 'Retirement Benefits'. MLC group generated a deficit on ordinary activities before interest and taxation of £2.62m (£1.61m excluding the impact of FRS 17 adoption), principally caused by continued investment in EBLEX's new branding proposition for quality beef and lamb (see the EBLEX Chairman's report on pages 24 to 29). Total net operating income of £41.88m was £822k lower than in 2004/05 (£42.71m) predominantly due to a decrease in commercial services fee income as a result of selling our EFSIS subsidiary part way through the financial year. The surplus for the year has been added to accumulated funds.

Our cash management

MLC's long-term financial policy is based on the maintenance of cash neutrality. However, during the year to 31 March 2006 the operating surplus referred to above and other factors resulted in

Our cash management
MLC's long-term financial policy is based on the maintenance of cash neutrality. However, during the year to 31 March 2006 the operating surplus referred to above and other factors resulted in

The income and expenditure account for the year ended 31 March 2006 and the balance sheet at the same date are set out on pages 52 to 55. MLC generated a surplus of £2.53m for the year to 31 March 2006 compared with a surplus of £236k for the previous year. The reported surplus for the year was affected by net proceeds from the EFSIS sale of £2.92m and a £1.90m net surplus resulting from the adoption of FRS 17: 'Retirement Benefits'. MLC group generated a deficit on ordinary activities before interest and taxation of £2.62m (£1.61m excluding the impact of FRS 17 adoption), principally caused by continued investment in EBLEX's new branding proposition for quality beef and lamb (see the EBLEX Chairman's report on pages 24 to 29). Total net operating income of £41.88m was £822k lower than in 2004/05 (£42.71m) predominantly due to a decrease in commercial services fee income as a result of selling our EFSIS subsidiary part way through the financial year. The surplus for the year has been added to accumulated funds.

Our financial results

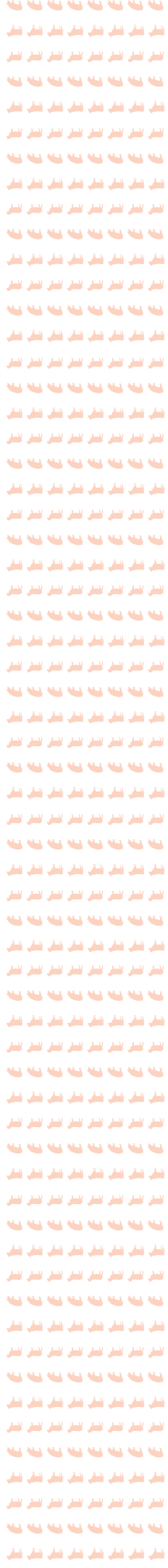
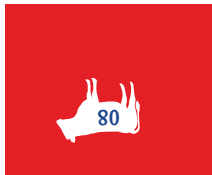
Delivering good 'value for money' back to levy-payers remains a cornerstone of MLC policy, along with the effective control of support services costs and linking with other organisations to develop partnership working arrangements to the advantage of our levy payers. All of this is underpinned by a robust and mature corporate governance control framework and a modern technology infrastructure.
I am proud of the professional approach and performance of MLC staff this past year, especially so given the uncertainties and 'state of limbo' that has existed while we await Defra's decision following its root and branch review of levy boards which started in March 2005.

It has been another year of change and challenge for the red meat industry as we helped it grapple with the impact of CAP reform, respond to increased competition from overseas and struggle to find profitability in the face of downward pressure on farmgate prices. We have also had notable success with helping to reduce salt in manufactured meat products and in pivotal aspects of the industry's and government/agencies' preparations for the return of older beef to the foodchain.

MLC DIRECTOR GENERAL'S REPORT
Unlike some other EU markets Britain continues to enjoy very robust red meat consumption, thanks to the work of organisations such as the federal MLC.



Kevin Roberts,
Director General, MLC



This federal structure continued to provide MLC with the opportunity to be closer to its market, which in turn allowed for greater responsiveness, flexibility and transparency.

MLC federal bodies funded a central resource of MLC expertise (including back-office support services), based in Milton Keynes under the management of the Director General, to implement common areas of strategy to avoid duplication and, where required, to implement local strategy.

In addition we generated around £7.2m of additional funding from government and EU grants and other sources. This was largely joint funding for specific federal MLC R&D and industry communications projects.

- £7.6m was attributable to BPEX.
 - £12.1m was attributable to EBLEX and HCC
 - £4.0m was attributable to HCC
 - £4.2m was attributable to QMS
- £27.9m, of which
- year ended 31 March 2006 MLC generated gross levy income of
- Levy collected in each geographical/species area is allocated to each respective federal body to implement their strategy. For the year ended 31 March 2006 MLC generated gross levy income of
- each of which has a board made up of industry representatives.
- to our four federal bodies – BPEX, EBLEX, HCC and QMS –
- operates as a federal structure. Strategy development is devolved to political devolution of agricultural policy, MLC

Our federal structure

The Defra fund on deposit is held outside MLC's own cash resources and was set up to underwrite potential future redundancy costs. The fund increased by £127k during the year, due to an excess of interest received on the cash deposited over claims settled.

The Defra fund on deposit is held outside MLC's own cash resources and was set up to underwrite potential future redundancy costs. The fund increased by £127k during the year, due to an excess of interest received on the cash deposited over claims settled.

a £4.08m increase in consolidated cash holdings and short-term investments to £14.36m (£10.28m at 31 March 2005).



a £4.08m increase in consolidated cash holdings and short-term investments to £14.36m (£10.28m at 31 March 2005).

The Defra fund on deposit is held outside MLC's own cash resources and was set up to underwrite potential future redundancy costs. The fund increased by £127k during the year, due to an excess of interest received on the cash deposited over claims settled.

Our federal structure

In response to political devolution of agricultural policy, MLC operates as a federal structure. Strategy development is devolved to our four federal bodies – BPEX, EBLEX, HCC and QMS – each of which has a board made up of industry representatives.

- Levy collected in each geographical/species area is allocated to each respective federal body to implement their strategy. For the year ended 31 March 2006 MLC generated gross levy income of £27.9m, of which
- £4.2m was attributable to QMS
 - £4.0m was attributable to HCC
 - £12.1m was attributable to EBLEX and
 - £7.6m was attributable to BPEX.

In addition we generated around £7.2m of additional funding from government and EU grants and other sources. This was largely joint funding for specific federal MLC R&D and industry communications projects.

MLC federal bodies funded a central resource of MLC expertise (including back-office support services), based in Milton Keynes under the management of the Director General, to implement common areas of strategy to avoid duplication and, where required, to implement local strategy.

This federal structure continued to provide MLC with the opportunity to be closer to its market, which in turn allowed for greater responsiveness, flexibility and transparency.



Our commercial services

Unique within the Defra family of agri-based NDPB's, MLC has a mature and profitable commercial services operation. This has grown up providing independent advice, logistics and inspection services to government agencies and individual businesses in the meat and livestock industry on a commercial basis. It is managed separately within the MLC group. All costs are fully accounted for within the operation and all net profits are used to supplement MLC levy income.

For the year ended 31 March 2006 the operation contributed £494k (post tax) to supplement MLC's levy income. Approximately 42% of MLC back-office costs are currently defrayed by the commercial activities.

In December 2005 the EFSIS food inspection and certification business was sold to Australian company SAI Global in a deal worth £2.92m to the MLC (See Commercial Services report on pages 38 to 40). The MLC's share of the money from the sale will be used for long-term strategic investment to benefit the meat and livestock industry.

At the end of the reporting period the Operations Group, comprised of two main business activities – the Authentication and the Agency Services businesses (approximately 220 staff) – were transferred into 'Meat and Livestock Commercial Services Limited'.

This new company is a wholly owned subsidiary of MLC and will provide a more appropriate commercial structure for the business to function on a clear independent commercial basis.

Our work

MLC's work streams are delivered through the strategies and activity plans of BPEX, EBLEX, HCC and QMS, which are reported on in greater detail later in this document. Our functions broadly cover four key areas of activity:



- **Collection and dissemination of market information and industry statistics** – gathering, interpreting and communicating information on issues relating to red meat and livestock to help industry make informed decisions.
- **Raising efficiency and standards through knowledge transfer of research and development (R&D) and best practice** – identifying and/or developing tools and techniques for adoption by the industry to improve its competitive position on a sustainable basis. This is inclusive of the work of the Red Meat Industry Forum (RMIF).
- **Promotion of red meat at home and the development of export markets** – generating a positive consumer environment to enable the industry to satisfy the demand for red meat, in all its guises, profitably.
- **Issues management** – playing a pivotal role in defending red meat from unsubstantiated attacks and in the coordination and management of critical issues as they occur.

Our annually updated corporate plan details the objectives, strategies and targets of the federal MLC, all linked into the MLC risk management process (note: QMS publishes its own, separate corporate plan). The 2006–08 Corporate Plan is published on our website, www.mlc.org.uk.

The central resource of MLC expertise undertook a number of collaboratively funded projects during the year on behalf of the federal bodies. These included:

Over thirty month (OTM) rule. MLC has been closely involved in achieving the tremendous progress during the year by industry and government to get British cattle aged over thirty months (OTM) reintroduced into the human food chain. On 7 November 2005 new legislation was put in place to allow the OTM rule to be replaced by BSE testing of cattle over 30 months of age intended for human consumption.

- **Collection and dissemination of market information and industry statistics** – gathering, interpreting and communicating information on issues relating to red meat and livestock to help industry make informed decisions.
- **Raising efficiency and standards through knowledge transfer of research and development (R&D) and best practice** – identifying and/or developing tools and techniques for adoption by the industry to improve its competitive position on a sustainable basis. This is inclusive of the work of the Red Meat Industry Forum (RMIF).
- **Promotion of red meat at home and the development of export markets** – generating a positive consumer environment to enable the industry to satisfy the demand for red meat, in all its guises, profitably.
- **Issues management** – playing a pivotal role in defending red meat from unsubstantiated attacks and in the coordination and management of critical issues as they occur.

Our annually updated corporate plan details the objectives, strategies and targets of the federal MLC, all linked into the MLC risk management process (note: QMS publishes its own, separate corporate plan). The 2006–08 Corporate Plan is published on our website, www.mlc.org.uk.

The central resource of MLC expertise undertook a number of collaboratively funded projects during the year on behalf of the federal bodies. These included:

Over thirty month (OTM) rule. MLC has been closely involved in achieving the tremendous progress during the year by industry and government to get British cattle aged over thirty months (OTM) reintroduced into the human food chain. On 7 November 2005 new legislation was put in place to allow the OTM rule to be replaced by BSE testing of cattle over 30 months of age intended for human consumption.

Our commercial services

Unique within the Defra family of agri-based NDPB's, MLC has grown up providing independent advice, logistics and inspection services to government agencies and individual businesses in the meat and livestock industry on a commercial basis. It is managed separately within the MLC group. All costs are fully accounted for within the operation and all net profits are used to supplement MLC levy income.

For the year ended 31 March 2006 the operation contributed £494k (post tax) to supplement MLC's levy income. Approximately 42% of MLC back-office costs are currently defrayed by the commercial activities.

In December 2005 the EFSIS food inspection and certification business was sold to Australian company SAI Global in a deal worth £2.92m to the MLC (See Commercial Services report on pages 38 to 40). The MLC's share of the money from the sale will be used for long-term strategic investment to benefit the meat and livestock industry.

At the end of the reporting period the Operations Group, comprised of two main business activities – the Authentication and the Agency Services businesses (approximately 220 staff) – were transferred into 'Meat and Livestock Commercial Services Limited'. This new company is a wholly owned subsidiary of MLC and will provide a more appropriate commercial structure for the business to function on a clear independent commercial basis.

Our work

MLC's work streams are delivered through the strategies and activity plans of BPEX, EBLEX, HCC and QMS, which are reported on in greater detail later in this document. Our functions broadly cover four key areas of activity:

British Meat Education Service (BMES). The dialogue with Food Technology teachers was continued through newsletter mailings and copy placed in each edition of the Design and Technology Association's termly magazine. The portfolio of electronic resources – including fact sheets and pupil interactives – on www.bmesonline.org.uk continued to grow, with the average number of monthly visitors around 7,000.

BMES also participated in a select working group initiated by Qualifications and Curriculum Authority (QCA) to draft new criteria, with a stronger nutritional focus, for each of the GCSE food exams. Representation was also made to QCA regarding the Key Stage 3 review and the place of food in the curriculum.

Video Image Analysis (VIA) for sheep carcasses. VIA could provide an objective way of classifying a carcase and help foster greater trust and transparency in the relationship between producer and processor.

MLC project managed a VIA lamb trial project on behalf of EBLEX, HCC, QMS and the Livestock and Meat Commission of Northern Ireland (LMC(NI)). The project took place at Welsh Country Foods plant on Anglesey. It included an evaluation of the impact of different carcase suspension methods on the prediction of conformation class, the development of a generic prediction equation for conformation and fat class, and an investigation of the ability of VIA to predict meat yield. Results will be reported in Summer 2006.

A similar MLC managed project for VIA of beef carcasses was unfortunately put on hold due to a split within the industry over which beef dressing specification should be used in the trial.

Industry Defence. The MLC and British Meat Information Service press offices continually monitored and reacted to potential issues or running news stories, which adversely impacted on red meat. Background briefing material was prepared and circulated to stakeholder organisations and where appropriate the media were briefed and factual balance was provided to media covering the story.

Among the main issues during the year was the continuing debate over whether there is a link between red meat and bowel cancer. Also the role red meat has within the differing diets that are often promoted within the media.

Waste Incineration Directive (WID). The burning of tallow as fuel became subject to the requirements of the EU Waste Incineration Directive (WID). There was great industry concern about the cost implications because the rules precluded the cost-effective use of tallow as a fuel in steam-raising boilers used for rendering, despite being more environmentally friendly than using heavy oil.

MLC, together with the farming and processing organisations worked hard to urge both the UK Government and the European Commission either to change the rules to regard tallow as a product, rather than a waste, for use in steam-raising boilers or to allow the UK a derogation.

Positive progress was made within the European Commission, but at the year end the issue was still to be resolved.



Our communications

Farming and meat industry organisations are represented on the boards of the federal MLC and there are daily informal and formal meetings with government and industry to discuss specific projects and issues. In addition MLC holds a range of annual events aimed at keeping stakeholders, industry organisations and governments informed about industry issues and the work of the MLC.

- The MLC Chairman's annual Westminster barbecue was held in Westminster Abbey Gardens on 13 July 2005. Secretary of State Margaret Beckett led a strong ministerial presence together with MPs, Lords and senior civil servants and the press, and provided the MLC Board of Commissioners, EBLEX, BPEX, HCC and RMIF the opportunity to meet and discuss industry issues in a relaxed atmosphere.
- The annual civil service briefing, in October 2005, was attended by officials from Defra and other government departments and agencies. It enabled the representatives of the MLC Executive, BPEX, EBLEX and RMIF to outline key priorities and activities and how these related to the government's sustainable development agenda.
- The MLC Chairman's Brussels Reception was held on 4 October 2005 at the residence of the UK Permanent Representative, Sir John Grant. The event was well attended with over one hundred participants. It provided the opportunity to raise a number of concerns including the ending of the Date Based Export Scheme, WTO and the restrictions on the burning of tallow under the Waste Incineration Directive.
- For industry planners, the 2006 MLC Outlook conference was held on 31 January 2006 in London. With 180 attendees and speakers from the European Commission, Defra and HSBC Bank plc, the conference theme was the current state of the WTO negotiations and the implications for the EU and UK red meat industries. As in previous years, the afternoon featured parallel sessions exploring the outlook for the cattle, sheep and pig sectors for the coming year, including the latest MLC market forecasts.
- MLC launched a new website just before the beginning of the financial year to take advantage of new technology, reduce the annual running costs and also to address the issue of duplication now that all the federal bodies have their own established sites. www.mlc.org.uk was designed to be a clean and simple portal into the four federal body sites and also into the British Meat Education, Nutrition, Foodservice, and MLC commercial services sites. It saw visitor numbers almost treble over the reporting period from 10,000 to 27,000 per month with the export area consistently being the most visited.

Our partnership working

MLC and its federal bodies seek to nurture deep and sustainable relations with major international meat organisations, government, other NDPBs and key industry organisations and stakeholders in order to help deliver our statutory functions. Partnership working is a necessity in the complex and increasingly global red meat industry. It helps facilitate the effective sharing of resources and capabilities and helps address the problems of rapid change in the external environment. For example:

MLC and its federal bodies seek to nurture deep and sustainable relations with major international meat organisations, government, other NDPBs and key industry organisations and stakeholders in order to help deliver our statutory functions. Partnership working is a necessity in the complex and increasingly global red meat industry. It helps facilitate the effective sharing of resources and capabilities and helps address the problems of rapid change in the external environment. For example:

Our partnership working

- MLC launched a new website just before the beginning of the financial year to take advantage of new technology, reduce the annual running costs and also to address the issue of duplication now that all the federal bodies have their own established sites. www.mlc.org.uk was designed to be a clean and simple portal into the four federal body sites and also into the British Meat Education, Nutrition, Foodservice, and MLC commercial services sites. It saw visitor numbers almost treble over the reporting period from 10,000 to 27,000 per month with the export area consistently being the most visited.
- The MLC Chairman's annual Westminster barbecue was held in Westminster Abbey Gardens on 13 July 2005. Secretary of State Margaret Beckett led a strong ministerial presence together with MPs, Lords and senior civil servants and the press, and provided the MLC Board of Commissioners, EBLEX, BPEX, HCC and RMIF the opportunity to meet and discuss industry issues in a relaxed atmosphere.
- The annual civil service briefing, in October 2005, was attended by officials from Defra and other government departments and agencies. It enabled the representatives of the MLC Executive, BPEX, EBLEX and RMIF to outline key priorities and activities and how these related to the government's sustainable development agenda.
- The MLC Chairman's Brussels Reception was held on 4 October 2005 at the residence of the UK Permanent Representative, Sir John Grant. The event was well attended with over one hundred participants. It provided the opportunity to raise a number of concerns including the ending of the Date Based Export Scheme, WTO and the restrictions on the burning of tallow under the Waste Incineration Directive.
- For industry planners, the 2006 MLC Outlook conference was held on 31 January 2006 in London. With 180 attendees and speakers from the European Commission, Defra and HSBC Bank plc, the conference theme was the current state of the WTO negotiations and the implications for the EU and UK red meat industries. As in previous years, the afternoon featured parallel sessions exploring the outlook for the cattle, sheep and pig sectors for the coming year, including the latest MLC market forecasts.
- MLC launched a new website just before the beginning of the financial year to take advantage of new technology, reduce the annual running costs and also to address the issue of duplication now that all the federal bodies have their own established sites. www.mlc.org.uk was designed to be a clean and simple portal into the four federal body sites and also into the British Meat Education, Nutrition, Foodservice, and MLC commercial services sites. It saw visitor numbers almost treble over the reporting period from 10,000 to 27,000 per month with the export area consistently being the most visited.

Our communications

Farming and meat industry organisations are represented on the boards of the federal MLC and there are daily informal and formal meetings with government and industry to discuss specific projects and issues. In addition MLC holds a range of annual events aimed at keeping stakeholders, industry organisations and governments informed about industry issues and the work of the MLC.

British Meat Education Service (BMES). The dialogue with Food

Technology teachers was continued through newsletter mailings and copy placed in each edition of the Design and Technology Association's termly magazine. The portfolio of electronic resources – including fact sheets and pupil interactives – on www.bmesonline.org.uk continued to grow, with the average number of monthly visitors around 7,000.

Video Image Analysis (VIA) for sheep carcasses. VIA could provide an objective way of classifying a carcase and help foster greater trust and transparency in the relationship between producer

MLC project managed a VIA lamb trial project on behalf of EBLEX, HCC, QMS and the Livestock and Meat Commission of Northern Ireland (LMC(NI)). The project took place at Welsh Country Foods plant on Anglesey; it included an evaluation of the impact of different carcase suspension methods on the prediction of conformation class, the development of a generic prediction equation for conformation and fat class, and an investigation of the ability of VIA to predict meat yield. Results will be reported in Summer 2006.

A similar MLC managed project for VIA of beef carcasses was unfortunately put on hold due to a split within the industry over which beef dressing specification should be used in the trial. Among the main issues during the year was the continuing debate over whether there is a link between red meat and bowel cancer. Also the role red meat has within the differing diets that are often promoted within the media.

Waste Incineration Directive (WID). The burning of tallow as fuel became subject to the requirements of the EU Waste Incineration Directive (WID). There was great industry concern about the cost implications because the rules precluded the cost-effective use of tallow as a fuel in steam-raising boilers used for rendering, despite being more environmentally friendly than using heavy oil.

MLC, together with the farming and processing organisations worked hard to urge both the UK Government and the European Commission either to change the rules to regard tallow as a product, rather than a waste, for use in steam-raising boilers or to allow the UK a derogation.

Positive progress was made within the European Commission, but at the year end the issue was still to be resolved.

across a range of businesses, including both PROBE benchmarking and Masterclasses. A training course designed to maximise the benefit of HACCP in small and medium meat plants was delivered to 100 businesses and a Young Leaders Programme for trainee managers in processing businesses was launched.

Review of levy boards

The detail of the levy board review was formally announced by Defra in mid-March 2005 and started on 4 April. The MLC welcomed the review and positively and frankly engaged with its project manager, Rosemary Radcliffe, to ensure there was a clear understanding of MLC, its work and its structure.

After the report was published, MLC, its Consumers Committee, BPEX and EBLEX all responded to the Defra consultation. HCC and QMS responded to the Welsh and Scottish consultations respectively.

Throughout, staff were kept fully informed of the process and its progress. The outcome of the Review may present many uncertainties but MLC staff have managed a business as usual approach to their work, much to their credit.

Challenges ahead

Next year MLC will face the challenge of continuing to deliver our hugely busy work programme in support of the British red meat industry whilst also implementing our part in the Defra decision on the future structure of the levy boards. If the agricultural industry gets the restructuring right, I believe there is a great opportunity for improved cross-sector co-operation, particularly in areas such as health and nutrition, schools educational activities and some R&D projects. This will give better value and greater audience impact for British levy payers and British agriculture as a whole.

Kevin Roberts
Director General
Meat and Livestock Commission

The Applied Research Forum for Farming and Food, chaired by MLC Chairman Peter Barr, continued to make significant progress in improving collaboration on research and knowledge transfer across government and between the UK agricultural and horticultural levy boards.

Under MLC's lead, in November 2005 it held its biggest and most successful workshop to date with its "Manage Your Soils: Grow Your Businesses" workshop to translate soil management science into best practice. The Forum also participated in Defra's Independent Sustainable Farming and Food Research Priorities Group (RPG), where it helped to shape advice to government on where to focus its strategic research effort.

www.foodafactoflife.co.uk The MLC's British Meat Education Service along with four other food levy boards was a sponsor and the production co-ordinator of a new web site for primary schools - www.foodafactoflife.co.uk launched during 2005. The site provides advice, support and downloadable resources for teachers about healthier eating in school, interactive learning activities for children, as well as activity and information sheets and is already becoming extremely popular.

Joint Sodium Working Party (JSWP). MLC is part of the JSWP along with the British Meat Processors' Association (BMPA) and Food and Drink Federation (FDF). Its role is to steer the meat industry's collaboration on reducing salt in manufactured meat products. During the year further substantial progress was made in some meat product categories towards meeting the salt reduction targets agreed with the FSA. A major challenge to delivering all the targets remained the reduction of salt in pastry and opportunities were explored for co-funded research to address the technical issues.

On the issue of salt reduction in bacon and cured meats the FSA adjusted its salt targets for these meat categories following discussions with JSWP about food safety.

Red Meat Industry Forum (RMIF). MLC continued as the delivery partner in the RMIF, with Defra, NFU and IGD, and administers its grant-funding from Defra. This partnership, set up in 2001, is focused specifically on improving performance and profitability of red meat supply chains. It is chaired by MLC Chairman Peter Barr and during the reporting period it completed its fourth year of operation.

Its work was independently audited by Dr Feame of Imperial College, London showing potential benefits of overall RMIF activity to the British red meat sector could be between £500 million and £800 million per year. For livestock producers who had acted as a result of being a member of one of the business improvement clubs, increases in their net profits averaged over 10 per cent in the first year.

A major Conference was held on 2 November 2005 in London. It was attended by more than 400 delegates from all parts of the red meat supply chain who heard how the RMIF is helping to take cost out of supply chains.

100 Farm Business Improvement Clubs were active by the year-end. Post-farmgate, RMIF continued to facilitate business improvement

The Applied Research Forum for Farming and Food, chaired by MLC Chairman Peter Barr, continued to make significant progress in improving collaboration on research and knowledge transfer across government and between the UK agricultural and horticultural levy boards.

Under MLC's lead, in November 2005 it held its biggest and most successful workshop to date with its "Manage Your Soils: Grow Your Business" workshop to translate soil management science into best practice. The Forum also participated in Defra's Independent Sustainable Farming and Food Research Priorities Group (RPG), where it helped to shape advice to government on where to focus its strategic research effort.

www.foodafactoflife.co.uk. The MLC's British Meat Education Service along with four other food levy boards was a sponsor and the production co-ordinator of a new web site for primary schools - www.foodafactoflife.co.uk launched during 2005. The site provides advice, support and downloadable resources for teachers about healthier eating in school, interactive learning activities for children, as well as activity and information sheets and is already becoming extremely popular.

Joint Sodium Working Party (JSWP). MLC is part of the JSWP along with the British Meat Processors' Association (BMPA) and Food and Drink Federation (FDF). Its role is to steer the meat industry's collaboration on reducing salt in manufactured meat products. During the year further substantial progress was made in some meat product categories towards meeting the salt reduction targets agreed with the FSA. A major challenge to delivering all the targets remained the reduction of salt in pastry and opportunities were explored for co-funded research to address the technical issues.

On the issue of salt reduction in bacon and cured meats the FSA adjusted its salt targets for these meat categories following discussions with JSWP about food safety.

Red Meat Industry Forum (RMIF). MLC continued as the delivery partner in the RMIF, with Defra, NFU and IGD, and administers its grant-funding from Defra. This partnership, set up in 2001, is focused specifically on improving performance and profitability of red meat supply chains. It is chaired by MLC Chairman Peter Barr and during the reporting period it completed its fourth year of operation.

Its work was independently audited by Dr. Feame of Imperial College, London showing potential benefits of overall RMIF activity to the British red meat sector could be between £500 million and £800 million per year. For livestock producers who had acted as a result of being a member of one of the business improvement clubs, increases in their net profits averaged over 10 per cent in the first year.

A major Conference was held on 2 November 2005 in London. It was attended by more than 400 delegates from all parts of the red meat supply chain who heard how the RMIF is helping to take cost out of supply chains.

100 Farm Business Improvement Clubs were active by the year-end. Post-farmgate, RMIF continued to facilitate business improvement

across a range of businesses, including both PROBE benchmarking and Masterclasses. A training course designed to maximise the benefit of HACCP in small and medium meat plants was delivered to 100 businesses and a Young Leaders Programme for trainee managers in processing businesses was launched.

Review of levy boards

The detail of the levy board review was formally announced by Defra in mid-March 2005 and started on 4 April. The MLC welcomed the review and positively and frankly engaged with its project manager, Rosemary Radcliffe, to ensure there was a clear understanding of MLC, its work and its structure.

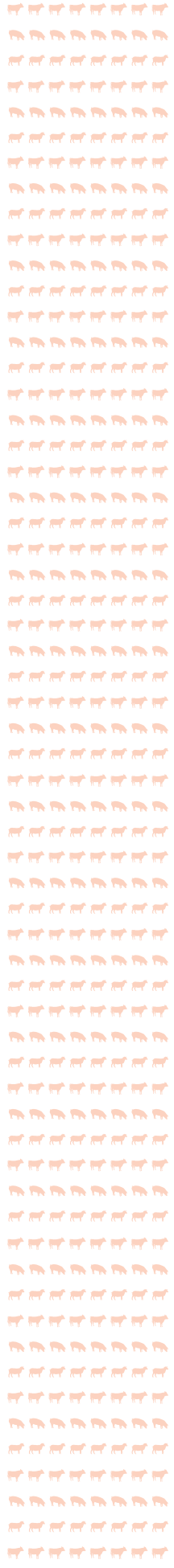
After the report was published, MLC, its Consumers Committee, BPEX and EBLEX all responded to the Defra consultation. HCC and QMS responded to the Welsh and Scottish consultations respectively.

Throughout, staff were kept fully informed of the process and its progress. The outcome of the Review may present many uncertainties but MLC staff have managed a 'business as usual' approach to their work, much to their credit.

Challenges ahead

Next year MLC will face the challenge of continuing to deliver our hugely busy work programme in support of the British red meat industry whilst also implementing our part in the Defra decision on the future structure of the levy boards. If the agricultural industry gets the restructuring right, I believe there is a great opportunity for improved cross-sector co-operation, particularly in areas such as health and nutrition, schools educational activities and some R&D projects. This will give better value and greater audience impact for British levy payers and British agriculture as a whole.

Kevin Roberts
Director General
Meat and Livestock Commission



Professor Richard Moody
Chairman
MLC Consumers Committee

CONSUMERS COMMITTEE CHAIRMAN'S REPORT

The Consumers Committee is a statutory committee set up under the 1967 Agriculture Act with a remit to ensure that the interests of consumers are fully represented within the work of the Commission.

The Consumers Committee functions at the interface between producers and processors on the one hand and the consumer in the retail environment on the other. There were very significant changes in both arenas over the last year and these are set to drive the agenda for the foreseeable future.

The consumer's interest in meat production centres on quality and cost. However, issues of animal welfare and the impact of livestock production on the environment are becoming increasingly important. European funding is now focusing on these aspects, ensuring that they are likely to remain key drivers in the future.

For consumers to be able to link quality and welfare issues to production they must be given information about the Quality Assurance (QA) system under which the meat was produced, which may be linked to the origin of the animal. Increased awareness of the food chain will make it more likely that consumers will seek to make an informed choice about the food they are buying. However, labelling information, even though extensive, must be simplified in the future to make it more accessible to the consumer.

At the retail and consumer end of the chain, awareness of nutritional needs and healthy eating have become important factors and the drive to reduce calories and salt in the diet, and increase fibre, is gathering pace. Consumers are now more aware than ever of their nutritional needs, even though their actual buying habits still do not reflect fully such knowledge.

The Food Standards Agency is working patiently to try to improve choice and also consumer health. The Consumers Committee has in the last year been closely involved in ensuring that the meat production sector is fully aware of the new nutrition agenda and also how the information is best transmitted to the consumer. The meat industry has an important role to play in helping to reduce fat and salt in the diet.

The Food Standards Agency is working patiently to try to improve choice and also consumer health. The Consumers Committee has in the last year been closely involved in ensuring that the meat production sector is fully aware of the new nutrition agenda and also how the information is best transmitted to the consumer. The meat industry has an important role to play in helping to reduce fat and salt in the diet.

At the retail and consumer end of the chain, awareness of nutritional needs and healthy eating have become important factors and the drive to reduce calories and salt in the diet, and increase fibre, is gathering pace. Consumers are now more aware than ever of their nutritional needs, even though their actual buying habits still do not reflect fully such knowledge.

For consumers to be able to link quality and welfare issues to production they must be given information about the Quality Assurance (QA) system under which the meat was produced, which may be linked to the origin of the animal. Increased awareness of the food chain will make it more likely that consumers will seek to make an informed choice about the food they are buying. However, labelling information, even though extensive, must be simplified in the future to make it more accessible to the consumer.

The consumer's interest in meat production centres on quality and cost. However, issues of animal welfare and the impact of livestock production on the environment are becoming increasingly important. European funding is now focusing on these aspects, ensuring that they are likely to remain key drivers in the future.

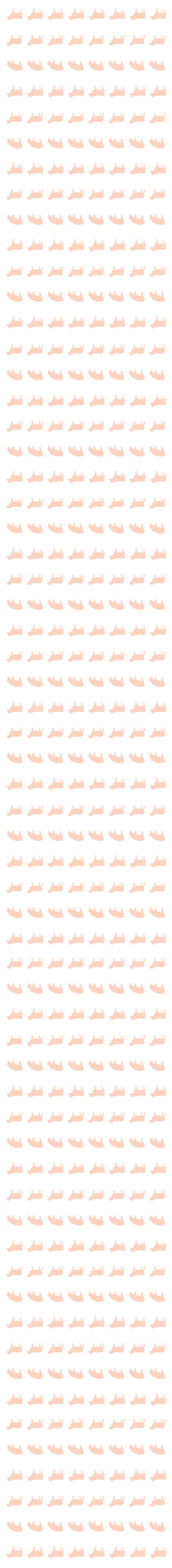
The Consumers Committee functions at the interface between producers and processors on the one hand and the consumer in the retail environment on the other. There were very significant changes in both arenas over the last year and these are set to drive the agenda for the foreseeable future.

The Consumers Committee is a statutory committee set up under the 1967 Agriculture Act with a remit to ensure that the interests of consumers are fully represented within the work of the Commission.

CONSUMERS COMMITTEE CHAIRMAN'S REPORT



Professor Richard Moody
Chairman
MLC Consumers Committee





During the year the issue of the putative link between meat consumption and cancer was discussed by the Consumers Committee in the context of a major review of existing research by the British Nutrition Foundation. All current and in-depth studies confirm that when meat is eaten in the recommended quantities in a balanced diet - particularly in relation to fibre intake - there is no increased health risk.

The Radcliffe Review of agricultural levy boards was a key issue throughout the year and members were keen to ensure that the consumer agenda would not be marginalised during any reorganisation.

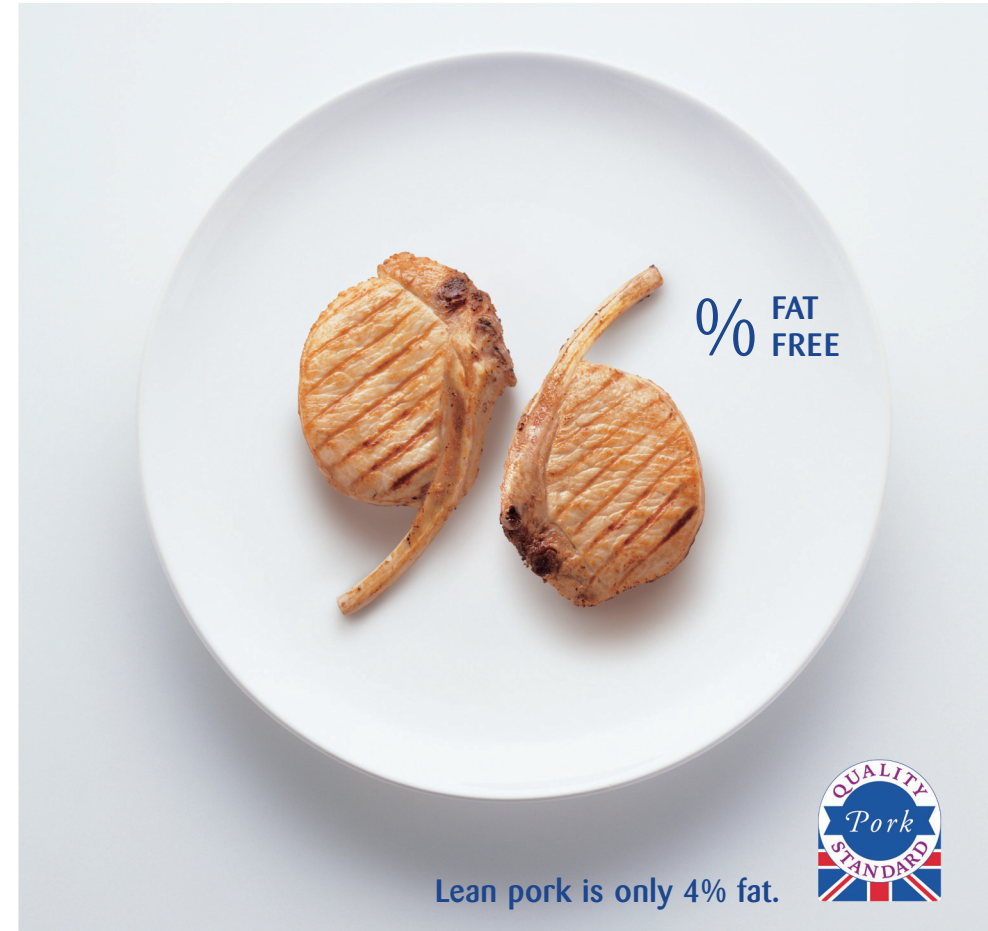
For this reason, the Consumers Committee made a separate submission to the Government's consultation on the Radcliffe Review in order to reinforce this point. The opportunity for the English food production sector to collaborate over matters of quality, marketing, technological developments and nutrition in a whole diet context is unprecedented and the Committee is hopeful of a radical outcome in this respect.

In summary, the Committee continues to function as the consumers' lobby within the MLC and supports an improvement in nutritional standards, clearer labelling and better choice, all of which will, it is hoped, be perpetuated in the new English food body which is expected to evolve during the year ahead.

Professor Richard Moody
Chairman
MLC Consumers Committee



Lean pork is only 4% fat.



Lean pork is only 4% fat.

During the year the issue of the putative link between meat consumption and cancer was discussed by the Consumers Committee in the context of a major review of existing research by the British Nutrition Foundation. All current and in-depth studies confirm that when meat is eaten in the recommended quantities in a balanced diet - particularly in relation to fibre intake - there is no increased health risk.

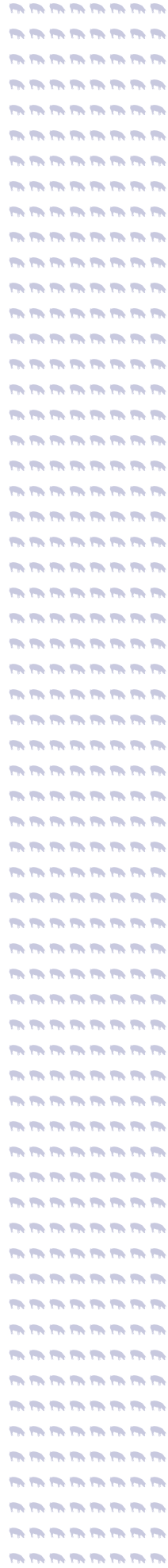
The Radcliffe Review of agricultural levy boards was a key issue throughout the year and members were keen to ensure that the consumer agenda would not be marginalised during any reorganisation.

For this reason, the Consumers Committee made a separate submission to the Government's consultation on the Radcliffe Review in order to reinforce this point. The opportunity for the English food production sector to collaborate over matters of quality, marketing, technological developments and nutrition in a whole diet context is unprecedented and the Committee is hopeful of a radical outcome in this respect.

In summary, the Committee continues to function as the consumers' lobby within the MLC and supports an improvement in nutritional standards, clearer labelling and better choice, all of which will, it is hoped, be perpetuated in the new English food body which is expected to evolve during the year ahead.

Professor Richard Moody
Chairman
MLC Consumers Committee





Stewart Houston
Chairman, BPEX

BPEX CHAIRMAN'S REPORT

The British pig industry went through a period of relative market stability during the year with prices holding just above £1/kg deadweight. Feed prices returned to more normal levels after the volatility of the previous year.

Productivity also showed some improvement from the very low levels of recent years. However, the effect of this on production was largely offset by a further fall in the breeding herd as a number of producers took the opportunity to leave the industry. Confidence to invest in pig production and processing remains a significant problem for the future.

Demand for pork and pork products remained strong, particularly in the premium end of the market. Imports continued to rise particularly of fresh pork for processing in the UK.

To assist and encourage the England and Wales pig and pig meat industry to exploit fully consumers' changing requirements and achieve sustainable growth.

BPEX is an executive committee which operates with maximum autonomy within the MLC. It comprises 12 members nominated by industry representative organisations.

Stewart Houston, Chairman and MLC Commissioner
Runs a small family farm producing weaners. He is Chairman of the National Pig Association and a member of National Farmers' Union Policy Board.

Adam Couch (British Meat Processors' Association)
Operations Director, Cranswick Country Foods Plc.

Ashley Bowes (British Meat Processors' Association)
Director of a family firm that farms and processes pigs to ABM and Freedom Food Standards.
(Note: In March 2006 Ashley Bowes was replaced by John Hughes, Managing Director of Dalehead, a major integrator from pig production through to 'shelf ready' retail packed pork and pig meat products. Dalehead is owned by Tulip, a division of Danish Crown).

Jon Easey (National Pig Association)
Works in the family business, MJ & JA Easey, running a large integrated pig breeding/finishing unit, a feed mill, veterinary practice and arable farm.

BPEX CHAIRMAN'S REPORT

The British pig industry went through a period of relative market stability during the year with prices holding just above £1/kg deadweight. Feed prices returned to more normal levels after the volatility of the previous year.



Stewart Houston
Chairman, BPEX

OUR MISSION }

Productivity also showed some improvement from the very low levels of recent years. However, the effect of this on production was largely offset by a further fall in the breeding herd as a number of producers took the opportunity to leave the industry. Confidence to invest in pig production and processing remains a significant problem for the future.

Demand for pork and pork products remained strong, particularly in the premium end of the market. Imports continued to rise particularly of fresh pork for processing in the UK.

To assist and encourage the England and Wales pig and pig meat industry to exploit fully consumers' changing requirements and achieve sustainable growth.

OUR BOARD }

BPEX is an executive committee which operates with maximum autonomy within the MLC. It comprises 12 members nominated by industry representative organisations.

Stewart Houston, Chairman and MLC Commissioner
Runs a small family farm producing weaners. He is Chairman of the National Pig Association and a member of National Farmers' Union Policy Board.

Adam Couch (British Meat Processors' Association)
Operations Director, Cranswick Country Foods Plc.

Ashley Bowes (British Meat Processors' Association)
Director of a family firm that farms and processes pigs to ABM and Freedom Food Standards.

(Note: In March 2006 Ashley Bowes was replaced by John Hughes, Managing Director of Dalehead, a major integrator from pig production through to 'shelf ready' retail packed pork and pig meat products. Dalehead is owned by Tulip, a division of Danish Crown).

Jon Easey (National Pig Association)
Works in the family business, MJ & JA Easey, running a large integrated pig breeding/finishing unit, a feed mill, veterinary practice and arable farm.





Neil Hammond (British Meat Processors' Association)
 Joint Managing Director of the Pork Business Unit, Gramplan Country Food Group, the largest UK processor of pig meat.

Steve Hart (National Pig Association)
 A former grain trader, he now has 3,500 outdoor sows, a contract to breed a further 2,500 sows and has a 500 acre arable unit.

Bob Howe (British Meat Processors' Association)
 Director for George Adams & Sons Ltd whose interests encompass pig farming, slaughtering, retail packing and manufacturing. He is Chairman of the Pig Meat Committee of the BMPA.

Richard Lister (National Pig Association)
 Runs a number of pig breeding and finishing units as well as farming arable crops, suckler cows and sheep. He is the Chairman of the National Pig Association Producer Group and a Board member.

John Rowbottom (National Pig Association)
 Runs a family pig breeding and finishing unit as well as an arable farm and a grass drying enterprise. He is a member of the National Pig Association Producer Group and a Board member.

Mike Sheldon (National Pig Association)
 Managing Director, Greenway Farms Ltd, a commercial breeding unit producing slaughter pigs for a national processing company. He is a member of the National Pig Association and was its first Chief Executive from 1998-1999.

Sean McCurly (British Retail Consortium)
 As the new Category Director, Tesco Stores Limited he replaced Matt Simister on the BPEX Board in April 2005.
 (Sean McCurley resigned from the BPEX Board in March 2006).

Meryl Ward (National Pig Association)
 A Co-Director of Ermine Farms Ltd & Warden Farming Co Ltd, a family farming enterprise, comprising a pig breeding and finishing enterprise and a mixed arable enterprise.



Neil Hammond (British Meat Processors' Association)
 Joint Managing Director of the Pork Business Unit, Gramplan Country Food Group, the largest UK processor of pig meat.

Steve Hart (National Pig Association)
 A former grain trader; he now has 3,500 outdoor sows, a contract to breed a further 2,500 sows and has a 500 acre arable unit.

Bob Howe (British Meat Processors' Association)
 Director for George Adams & Sons Ltd whose interests encompass pig farming, slaughtering, retail packing and manufacturing. He is Chairman of the Pig Meat Committee of the BMPA.

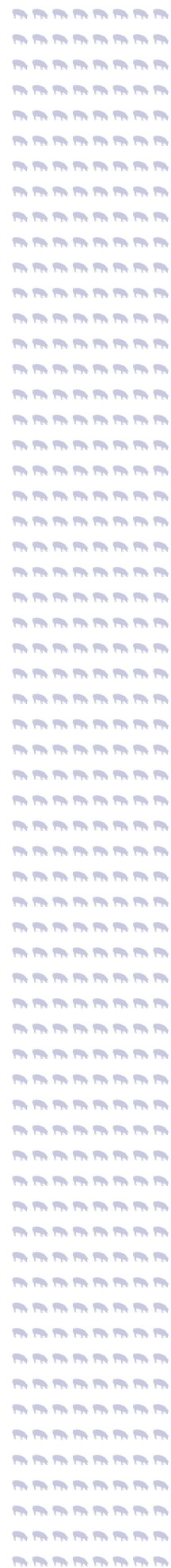
Richard Lister (National Pig Association)
 Runs a number of pig breeding and finishing units as well as farming arable crops, suckler cows and sheep. He is the Chairman of the National Pig Association Producer Group and a Board member.

John Rowbottom (National Pig Association)
 Runs a family pig breeding and finishing unit as well as an arable farm and a grass drying enterprise. He is a member of the National Pig Association Producer Group and a Board member.

Mike Sheldon (National Pig Association)
 Managing Director, Greenway Farms Ltd, a commercial breeding unit producing slaughter pigs for a national processing company. He is a member of the National Pig Association and was its first Chief Executive from 1998-1999.

Sean McCurly (British Retail Consortium)
 As the new Category Director, Tesco Stores Limited he replaced Matt Simister on the BPEX Board in April 2005.
 (Sean McCurley resigned from the BPEX Board in March 2006).

Meryl Ward (National Pig Association)
 A Co-Director of Ermine Farms Ltd & Warden Farming Co Ltd, a family farming enterprise, comprising a pig breeding and finishing enterprise and a mixed arable enterprise.



Our strategic objectives

To improve cost competitiveness throughout the supply chain

To defend and add value to British markets for pork and pork products

To build alliances to develop the British market

Our action plan

BPEX has a 13-point Road to Recovery action plan, which was published in 2002. The Road to Recovery presents our vision of the British pig industry of the future. It details how we intend to use the funds provided by levy payers and others to be a catalyst to enable all the businesses that make up our industry to take action to deliver this vision.

During the reporting period we had agreements with HCC for us to implement the Road to Recovery action plan in Wales. During the course of 2005/06 the BPEX board undertook a comprehensive review of the strategy. The Board concluded that the strategy was the correct one but that it could be improved by being simplified and having a clearer focus. The resulting strategy was published in early 2006 as the "Road to Recovery 2006-2009" and is available on the BPEX website - www.bpex.org.uk.

This annual report describes progress against the original Road to Recovery Strategy.

Delivering our strategic objectives

Improve cost competitiveness throughout the supply chain

Knowledge transfer, research and development (KTR&D) have a vital role to play in helping the pig industry improve cost competitiveness. BPEX undertook a comprehensive review of industry KTR&D needs and consulted widely on the conclusions. The most significant change was to substantially increase the KTR&D budget from £1.3m net levy spend a year to £2.2million. Match funding has been identified to increase the total to £4.4m. Implementation of the KTR&D plan started in 2005/06 with the appointment by MLC of a Pig Industry Development Director.

The implementation of the Pig Health and Welfare Strategy continued during the year. The British Pig Health Scheme is progressing well and at the end of the year over a half of all assured units had signed up to the scheme. These producers are now receiving regular feedback from their abattoir about a number of potential health conditions in their pigs. Progress is being made in a number of other areas, in particular in joint projects with Defra such as pig farm health planning.

The Supply Chain Grant Scheme has proved to be successful with a total of 42 different projects supported from small scale feasibility studies to larger scale new product launches. Category reports for pork and sausages were distributed in the industry helping producers and processors understand the market in greater depth. BPEX continued its work with RMIF providing help to 30 pork processing companies, developing farm business clubs and improving supply chain efficiency.

The Finishing Systems research project continued to generate valuable results that have been communicated to the industry. The results demonstrated, among other things, that controlled liquid feeding of food co-products could deliver a reduction in the

cost of production. Leaflets on managing without antibiotic growth promoters were circulated to the industry along with continuing knowledge on the management of pig health, especially PMWS.

National and international contacts have been strengthened especially in the areas of research and development. Work continued on improving Artificial Insemination (AI) in co-operation with the Institute of Pig Genetics in the Netherlands and a pan European workshop on AI was held in England to which more than 70 industry experts and practitioners attended.

The Autofom grading system had been installed, calibrated and is now fully operational in one specialist processor and a second Autofom system is being evaluated for a second specialist pig abattoir. The fully operational Autofom demonstrated significant potential improvements in carcase yield and product consistency. BPEX has also assisted in the development of pig carcase pricing methodologies based on Autofom data. This new Autofom derived pricing mechanism is currently being run in parallel with existing pricing structures based on P2 reading to allow suppliers to adjust production criteria to the more precise measurements of lean pig meat weight and distribution which Autofom measures to value carcasses.

BPEX has proved considerable help to the industry in managing reputational risk at a national level. Limited progress has been made on managing financial risks although exposure has been given to the HGCA work on managing feed cost risk.

BPEX has responded directly to a considerable number of government consultations on proposed legislation. We have also provided significant help to industry and government on issues such as environmental impact and by-product processing and usage that has enabled a balanced approach to be taken wherever possible.

Defend and add value to British markets for pork and pork products

The redesigned Quality Standard Mark (QSM) was promoted widely in the retail and foodservice sectors. The benefits to consumers of whole chain, independently audited quality assurance featured in all of our activity. A national award-winning print media campaign highlighted the health benefits of pork as being '96% fat free'.

The advice package on developing local and regional sales opportunities was distributed to an increasing number of producers and processors interested in establishing routes to market such as Farm Shops and the Internet. 'Grant Finder' software to assist with this was promoted strongly through the BPEX website. A national programme of regional product competitions for bacon, sausage and other pork products gave a valuable platform to local producers and processors.

The Zoonosis Action Plan (ZAP) Scheme was fully operational during the year. Organisational performance improved through the year and the incidence of positive results from pigs fell slightly compared with a year earlier.

The Zoonosis Action Plan (ZAP) Scheme was fully operational during the year. Organisational performance improved through the year and the incidence of positive results from pigs fell slightly compared with a year earlier.

The advice package on developing local and regional sales opportunities was distributed to an increasing number of producers and processors interested in establishing routes to market such as Farm Shops and the Internet. 'Grant Finder' software to assist with this was promoted strongly through the BPEX website. A national programme of regional product competitions for bacon, sausage and other pork products gave a valuable platform to local producers and processors.

The redesigned Quality Standard Mark (QSM) was promoted widely in the retail and foodservice sectors. The benefits to consumers of whole chain, independently audited quality assurance featured in all of our activity. A national award-winning print media campaign highlighted the health benefits of pork as being '96% fat free'.

Defend and add value to British markets for pork and pork products

BPEX has proved considerable help to the industry in managing reputational risk at a national level. Limited progress has been made on managing financial risks although exposure has been given to the HGCA work on managing feed cost risk.

BPEX has responded directly to a considerable number of government consultations on proposed legislation. We have also provided significant help to industry and government on issues such as environmental impact and by-product processing and usage that has enabled a balanced approach to be taken wherever possible.

The Autofom grading system had been installed, calibrated and is now fully operational in one specialist processor and a second Autofom system is being evaluated for a second specialist pig abattoir. The fully operational Autofom demonstrated significant potential improvements in carcase yield and product consistency. BPEX has also assisted in the development of pig carcase pricing methodologies based on Autofom data. This new Autofom derived pricing mechanism is currently being run in parallel with existing pricing structures based on P2 reading to allow suppliers to adjust production criteria to the more precise measurements of lean pig meat weight and distribution which Autofom measures to value carcasses.

70 industry experts and practitioners attended. European workshop on AI was held in England to which more than 70 industry experts and practitioners attended.

National and international contacts have been strengthened especially in the areas of research and development. Work continued on improving Artificial Insemination (AI) in co-operation with the Institute of Pig Genetics in the Netherlands and a pan European workshop on AI was held in England to which more than

cost of production. Leaflets on managing without antibiotic growth promoters were circulated to the industry along with continuing knowledge on the management of pig health, especially PMWS.

The Finishing Systems research project continued to generate valuable results that have been communicated to the industry. The results demonstrated, among other things, that controlled liquid feeding of food co-products could deliver a reduction in the

The Supply Chain Grant Scheme has proved to be successful with a total of 42 different projects supported from small scale feasibility studies to larger scale new product launches. Category reports for pork and sausages were distributed in the industry helping producers and processors understand the market in greater depth. BPEX continued its work with RMIF providing help to 30 pork processing companies, developing farm business clubs and improving supply chain efficiency.

The implementation of the Pig Health and Welfare Strategy continued during the year. The British Pig Health Scheme is progressing well and at the end of the year over a half of all assured units had signed up to the scheme. These producers are now receiving regular feedback from their abattoir about a number of potential health conditions in their pigs. Progress is being made in a number of other areas, in particular in joint projects with Defra such as pig farm health planning.

Match funding has been identified to increase the total to £4.4m. KTR&D budget from £1.3m net levy spend a year to £2.2million. KTR&D needs and consulted widely on the conclusions. The most significant change was to substantially increase the industry KTR&D needs and consulted widely on the conclusions. Knowledge transfer research and development (KTR&D) have a vital role to play in helping the pig industry improve cost competitiveness. BPEX undertook a comprehensive review of industry KTR&D needs and consulted widely on the conclusions.

Delivering our strategic objectives

This annual report describes progress against the original Road to Recovery Strategy.

was published in early 2006 as the "Road to Recovery 2006-2009" and is available on the BPEX website - www.bpex.org.uk. During the reporting period we had agreements with HCC for us to implement the Road to Recovery action plan in Wales. During the course of 2005/06 the BPEX board undertook a comprehensive review of the strategy. The Board concluded that the strategy was the correct one but that it could be improved by being simplified and having a clearer focus. The resulting strategy was published in early 2006 as the "Road to Recovery 2006-2009" and is available on the BPEX website - www.bpex.org.uk.

BPEX has a 13-point Road to Recovery action plan, which was published in 2002. The Road to Recovery presents our vision of the British pig industry of the future. It details how we intend to use the funds provided by levy payers and others to be a catalyst to enable all the businesses that make up our industry to take action to deliver this vision.

Our action plan

To improve cost competitiveness throughout the supply chain

To defend and add value to British markets for pork and pork products

To build alliances to develop the British market

The fragile recovery in confidence evident from some producers in 2005 has not been shared by all. As a result the breeding herd continued to fall. The challenge for BPEX is to persuade those with power in the supply chain that it is in their business interest to help develop a sustainable sector.

BPEX will be implementing the Road to Recovery 2006-2009 strategy in the coming years. The challenge to achieve sustainable recovery remains significant. In recent months it has become apparent that the aggressive price war being fought by UK supermarkets is having a detrimental impact on the production and processing supply chain.

A brief look forward

BPEX is participating in an international consortium on Post-weaning Multi-systemic Wasting Syndrome (PMWS). International contacts continued to be developed through the MLC Brussels office and through membership and participation in the International Meat Secretariat.

Build alliances to develop the British market

BPEX worked closely with MLC and its other federal bodies to promote a positive message about the nutritional benefits of pork and pork products. We were fully engaged with government and its agencies on important initiatives such as reducing salt and fat in the diet and labelling of meat and meat products. BPEX continued to support the work of Farming and Countryside Education (FACE) in the education sector.

BPEX maintained a targeted presence at a number of important international shows such as Anuga that facilitated contact between England and Wales exporters and potential customers. Inward and outward missions to a number of countries, particularly in South East Asia re-established and developed exports in pork and breeding stock. Market access to China for breeding pigs was eventually re-established during the year although access for pork is still awaited.

Stewart Houston Chairman British Pig Executive

The key to this is to help the England and Wales industry to become more competitive. This will be achieved through a combination of reducing the cost of production and ensuring that the industry derives the maximum value for the high quality product that it produces. We will be rolling out an ambitious programme of KTR&D to ensure that producers and processors have access to the latest information and production techniques. We will also continue to promote the benefit of whole chain, independently audited assured production under the Quality Standard Mark.

I am confident that if the industry receives the full support and commitment of the whole supply chain then we can get firmly back on the road to recovery.



BPEX worked closely with MLC and its other federal bodies to promote a positive message about the nutritional benefits of pork and pork products. We were fully engaged with government and its agencies on important initiatives such as reducing salt and fat in the diet and labelling of meat and meat products. BPEX continued to support the work of Farming and Countryside Education (FACE) in the education sector.

BPEX maintained a targeted presence at a number of important international shows such as Anuga that facilitated contact between England and Wales exporters and potential customers. Inward and outward missions to a number of countries, particularly in South East Asia re-established and developed exports in pork and breeding stock. Market access to China for breeding pigs was eventually re-established during the year although access for pork is still awaited.

Build alliances to develop the British market

BPEX is participating in an international consortium on Post-weaning Multi-systemic Wasting Syndrome (PMWS). International contacts continued to be developed through the MLC Brussels office and through membership and participation in the International Meat Secretariat.

A brief look forward

BPEX will be implementing the Road to Recovery 2006-2009 strategy in the coming years. The challenge to achieve sustainable recovery remains significant. In recent months it has become apparent that the aggressive price war being fought by UK supermarkets is having a detrimental impact on the production and processing supply chain.

The fragile recovery in confidence evident from some producers in 2005 has not been shared by all. As a result the breeding herd continued to fall. The challenge for BPEX is to persuade those with power in the supply chain that it is in their business interest to help develop a sustainable sector.

The key to this is to help the England and Wales industry to become more competitive. This will be achieved through a combination of reducing the cost of production and ensuring that the industry derives the maximum value for the high quality product that it produces. We will be rolling out an ambitious programme of KTR&D to ensure that producers and processors have access to the latest information and production techniques. We will also continue to promote the benefit of whole chain, independently audited assured production under the Quality Standard Mark.

I am confident that if the industry receives the full support and commitment of the whole supply chain then we can get firmly back on the road to recovery.

Stewart Houston Chairman British Pig Executive

BPEX Performance against target 2005/06

I. To improve cost competitiveness throughout the supply chain

Table B.1

Target	Performance
Objective 1.1 – Encourage the development of more integrated supply chains	
Strategy 1 – Fund from the promotion levy, the development of a number of supply chain projects that can demonstrate improved competitiveness, value added for levy payers and can act as an example for the rest of the industry	8 projects were awarded supply chain grants of which 1 subsequently withdrew
Strategy 2 – Support the work of the Red Meat Industry Forum through the Food Chain Centre and look for an initial focus on the English and Welsh pork supply chain	Red Meat Industry Forum has worked with 30 pork processing companies to improve efficiency and product quality. These companies represent 75% of the processing sector
Strategy 3 – Become the acknowledged Centre of Excellence in consumer and market research in pork and pork products and use this information to help build partnerships in the supply chain	2 category reports published for bacon and pork pies disseminated to 81% of the supply chain. No formal measure of customer satisfaction was undertaken in 2005-06 but has been included within the plans for 2006-07
Strategy 4 – Work in partnership with retailers, food service companies and their suppliers on integrated programmes to promote pork and pork products. This activity will be communicated to producers and producer groups within the supply chain	Activity has been undertaken with 100% of all major retailers and the 3 largest food service companies in this area
Objective 1.2 – Research into reducing the cost of production	
Strategy 1 – Instigate a comprehensive programme of practical research that delivers transferable knowledge to enable production costs to be reduced. This will include research into feeding methods, management systems, pig health and carcass weight	Finishing systems research reports published in August 2005 and published on the BPEX and Stotfold websites. Over 400 copies of the reports have been requested by producers and allied industry
Strategy 2 – Priority will be given to projects that will help in the management of PMWS and PDNS	MLC, on behalf of BPEX, is a participant in a EU Framework 6 project investigating PMWS. MLC is responsible for the knowledge transfer of this project on behalf of the EU research consortium
Strategy 3 – Provide technical and policy information to producers and processors with regard to the possible impact of emerging environmental legislation and control	BPEX has assisted in the development of Model Applications for IPPC. These are currently awaiting approval from the Environment Agency
Strategy 4 – Projects will be co-ordinated across the industry through the NPA Technical and Scientific Committee and the MLC Research Steering Committee	Following the establishment of the BPEX RDK&T Strategy both the NPA Technical and Scientific Steering Group and the MLC Research Steering Group have been replaced by the BPEX Technical and Scientific Committee
Strategy 5 – Maximum use will be made of co-funding opportunities from UK government, EU and commercial sources	Joint funding of £240k per annum has been secured from UK Government and commercial sponsorship for the delivery of the British Pig Health Scheme as part of the strategy

Target	Performance
Objective 1.1 – Encourage the development of more integrated supply chains	
Strategy 1 – Fund from the promotion levy, the development of a number of supply chain projects that can demonstrate improved competitiveness, value added for levy payers and can act as an example for the rest of the industry	8 projects were awarded supply chain grants of which 1 subsequently withdrew
Strategy 2 – Support the work of the Red Meat Industry Forum through the Food Chain Centre and look for an initial focus on the English and Welsh pork supply chain	Red Meat Industry Forum has worked with 30 pork processing companies to improve efficiency and product quality. These companies represent 75% of the processing sector
Strategy 3 – Become the acknowledged Centre of Excellence in consumer and market research in pork and pork products and use this information to help build partnerships in the supply chain	2 category reports published for bacon and pork pies disseminated to 81% of the supply chain. No formal measure of customer satisfaction was undertaken in 2005-06 but has been included within the plans for 2006-07
Strategy 4 – Work in partnership with retailers, food service companies and their suppliers on integrated programmes to promote pork and pork products. This activity will be communicated to producers and producer groups within the supply chain	Activity has been undertaken with 100% of all major retailers and the 3 largest food service companies in this area
Objective 1.2 – Research into reducing the cost of production	
Strategy 1 – Instigate a comprehensive programme of practical research that delivers transferable knowledge to enable production costs to be reduced. This will include research into feeding methods, management systems, pig health and carcass weight	Finishing systems research reports published in August 2005 and published on the BPEX and Stotfold websites. Over 400 copies of the reports have been requested by producers and allied industry
Strategy 2 – Priority will be given to projects that will help in the management of PMWS and PDNS	MLC, on behalf of BPEX, is a participant in a EU Framework 6 project investigating PMWS. MLC is responsible for the knowledge transfer of this project on behalf of the EU research consortium
Strategy 3 – Provide technical and policy information to producers and processors with regard to the possible impact of emerging environmental legislation and control	BPEX has assisted in the development of Model Applications for IPPC. These are currently awaiting approval from the Environment Agency
Strategy 4 – Projects will be co-ordinated across the industry through the NPA Technical and Scientific Committee and the MLC Research Steering Committee	Following the establishment of the BPEX RDK&T Strategy both the NPA Technical and Scientific Steering Group and the MLC Research Steering Group have been replaced by the BPEX Technical and Scientific Committee
Strategy 5 – Maximum use will be made of co-funding opportunities from UK government, EU and commercial sources	Joint funding of £240k per annum has been secured from UK Government and commercial sponsorship for the delivery of the British Pig Health Scheme as part of the strategy

Table B.1

I. To improve cost competitiveness throughout the supply chain

BPEX Performance against target 2005/06

BPEX Performance against target 2005/06

I. To improve cost competitiveness throughout the supply chain

Table B.2

	Target	Performance
Objective 1.3 – Adopt best practice from competitors and complementary industries		
Strategy 1 – Launch a national interactive benchmarking initiative for producers	Establish health benchmarking site	British Pig Health Scheme data now provided to Red Meat Industry Forum for inclusion on the benchmarking website. Over 1,200 data sets are now available from this website
Strategy 2 – Exploit fully all communication channels to encourage the uptake of existing and emerging knowledge	Revise publications format. Achieve 30% uptake of new technology within target production systems	This target has not been measured due to the introduction of the new Research, Development and Knowledge Transfer Strategy
Strategy 3 – Support the adoption of Demonstration Farms for pig production as recommended by the Policy Commission on Food and Farming	40 man days required to support the project	As part of the implementation of the Research, Development and Knowledge Transfer Strategy a number of demonstration units are to be established with regional Colleges and Universities
Strategy 4 – Continue to support novel training methods, such as CD Rom distance learning packages and industry recruitment programmes	Achieve 35% sustained usage by existing owners of CD Rom packages	This target has not been measured due to the introduction of the new Research, Development and Knowledge Transfer Strategy
Objective 1.4 – Adopt more efficient pig grading and pricing methods		
Strategy 1 – Facilitate the introduction and uptake of new carcass grading and measurement tools, such as the Autofom, and encourage their use in new pig pricing systems	20% of pigs slaughtered to be classified by Autofom	10% of British pig carcasses graded using Autofom in 2005-06. It is anticipated that this will increase to 20% in 2006 with the introduction of a second Autofom machine
Strategy 2 – Work with abattoirs and government to adopt more modern data handling systems to enable the rapid production and supply of management information	Facilitate the introduction of new technology by MHS	BPEX published an international review of data capture systems on behalf of FSA in 2005. BPEX is a member of the industry stakeholder group working with FSA on data capture methods required to comply with the Food Chain Information elements of the new Meat Hygiene Regulations
Objective 1.5 – Adopt more efficient pig grading and pricing methods		
Strategy 1 – Identify and publicise best practice in physical and financial risk management techniques, particularly in relation to contractual relationships. This will build on the NPA Risk Management Website that BPEX helped to establish	Host national conference on risk management	BPEX contributed to the development of www.riskaware.org.uk which is a risk management website developed by Lantra and targeted at producers. Exposure also given to producers of HGCA work on managing feed cost risk
Strategy 2 – Encourage government to introduce adequate controls to ensure the risks to the industry and to consumers from illegally imported meat are minimised	Assist Government to develop national protocols for detecting, reporting and responding to imported diseases	BPEX participating in discussions with Defra on the development of disease cost sharing and control policies
Objective 1.6 – Avoid unnecessary regulation		
Strategy 1 – Identify and quantify the extent of unnecessary regulations that are applied to the English and Welsh pig industry and press for their modification or removal	Respond to relevant consultations during the year. Funding available for up to 50 responses	64 responses submitted by BPEX to consultations in 2005-06
Strategy 2 – Monitor emerging legislation in Whitehall and in Brussels and assist industry organisations such as NPA and BMPA in responding to proposals	Respond to relevant consultations during the year. Funding available for up to 50 responses	64 responses submitted by BPEX to consultations in 2005-06
Strategy 3 – Maintain effective and efficient communications with policy makers and representative organisations to ensure a full understanding of the impact of current and proposed legislation	No relevant target	No relevant target measured

Table B.2

BPEX Performance against target 2005/06

I. To improve cost competitiveness throughout the supply chain

Performance	Target	
Objective 1.3 – Adopt best practice from competitors and complementary industries		
British Pig Health Scheme data now provided to Red Meat Industry Forum for inclusion on the benchmarking website. Over 1,200 data sets are now available from this website	Establish health benchmarking site for producers	Strategy 1 – Launch a national interactive benchmarking initiative for producers
This target has not been measured due to the introduction of the new Research, Development and Knowledge Transfer Strategy	Revise publications format. Achieve 30% uptake of new technology within target production systems	Strategy 2 – Exploit fully all communication channels to encourage the uptake of existing and emerging knowledge
As part of the implementation of the Research, Development and Knowledge Transfer Strategy a number of demonstration units are to be established with regional Colleges and Universities	40 man days required to support the project	Strategy 3 – Support the adoption of Demonstration Farms for pig production as recommended by the Policy Commission on Food and Farming
This target has not been measured due to the introduction of the new Research, Development and Knowledge Transfer Strategy	Achieve 35% sustained usage by existing owners of CD Rom packages	Strategy 4 – Continue to support novel training methods, such as CD Rom distance learning packages and industry recruitment programmes
Objective 1.4 – Adopt more efficient pig grading and pricing methods		
10% of British pig carcasses graded using Autofom in 2005-06. It is anticipated that this will increase to 20% in 2006 with the introduction of a second Autofom machine	20% of pigs slaughtered to be classified by Autofom	Strategy 1 – Facilitate the introduction and uptake of new carcass grading and measurement tools, such as the Autofom, and encourage their use in new pig pricing systems
BPEX published an international review of data capture systems on behalf of FSA in 2005. BPEX is a member of the industry stakeholder group working with FSA on data capture methods required to comply with the Food Chain Information elements of the new Meat Hygiene Regulations	Facilitate the introduction of new technology by MHS	Strategy 2 – Work with abattoirs and government to adopt more modern data handling systems to enable the rapid production and supply of management information
Objective 1.5 – Adopt more efficient pig grading and pricing methods		
BPEX contributed to the development of www.riskaware.org.uk which is a risk management website developed by Lantra and targeted at producers. Exposure also given to producers of HGCA work on managing feed cost risk	Host national conference on risk management	Strategy 1 – Identify and publicise best practice in physical and financial risk management techniques, particularly in relation to contractual relationships. This will build on the NPA Risk Management Website that BPEX helped to establish
BPEX participating in discussions with Defra on the development of disease cost sharing and control policies	Assist Government to develop national protocols for detecting, reporting and responding to imported diseases	Strategy 2 – Encourage government to introduce adequate controls to ensure the risks to the industry and to consumers from illegally imported meat are minimised
Objective 1.6 – Avoid unnecessary regulation		
64 responses submitted by BPEX to consultations in 2005-06	Respond to relevant consultations during the year. Funding available for up to 50 responses	Strategy 1 – Identify and quantify the extent of unnecessary regulations that are applied to the English and Welsh pig industry and press for their modification or removal
64 responses submitted by BPEX to consultations in 2005-06	Respond to relevant consultations during the year. Funding available for up to 50 responses	Strategy 2 – Monitor emerging legislation in Whitehall and in Brussels and assist industry organisations such as NPA and BMPA in responding to proposals
No relevant target measured	No relevant target	Strategy 3 – Maintain effective and efficient communications with policy makers and representative organisations to ensure a full understanding of the impact of current and proposed legislation

BPEX Performance against target 2005/06

2. To defend and add value to British markets for pork and pork products

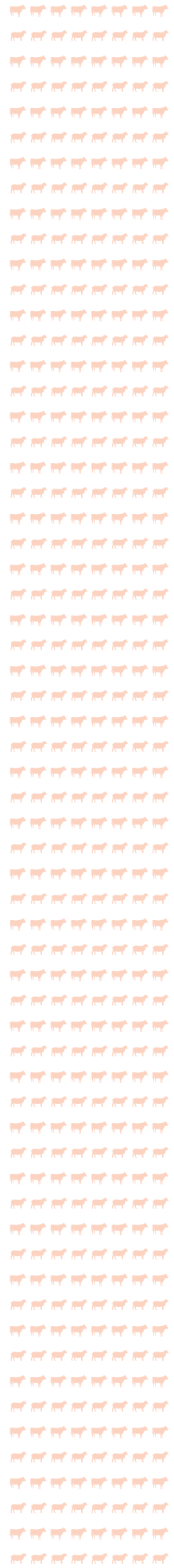
Table B.3

Target	Performance
Objective 2.1 – Inspire British consumers to increase demand for Quality Assured pork and pork products	
Strategy 1 – Defend and enhance the image of Quality Assured pork and pork products in England and Wales through communication directly to consumers. This will be integrated with the activities of individual supply chains	Improve usage to 77% as measured by PorkWatch
Strategy 2 – Inspire consumers to increase demand by positioning pork and pork products as a modern, convenient, healthy part of everyday meals	Improve Millward Brown baseline for consumer perception of pork as "too fatty" from 38% to 36%
Strategy 3 – Inspire English and Welsh abattoirs and meat processors to produce a continuous range of new products and presentations for pork and pork products, particularly through targeted consumer and market research	Communicate research findings to 80% of pig meat processors
Strategy 4 – Inspire English and Welsh parts of the food service sector to increase their sales of Quality Assured pork and pork products in Britain to satisfy the growing demands of their customers	Secure inclusion of quality British pig meat in public procurement policy and increase year-on-year usage volume by 5%
Strategy 5 – Collate and disseminate all available information on techniques to improve eating quality, including measurement methods in the carcass	Facilitate the introduction of new techniques within one identified supply chain per annum
Strategy 6 – Work with retailers and food service companies on cooking recommendations to ensure that eating quality is maximised	Provide recipe advice for 50 product lines
Objective 2.2 – Develop local and regional marketing opportunities	
Strategy 1 – Support the development of local and regional marketing channels for pork and pork products through technical and marketing advice and targeted support where appropriate	Attend meetings with 20 potential businesses exploring local or regional marketing initiatives
Strategy 2 – Assist individuals and groups of individuals to access Regional Development funds	Secure £150k funds
Strategy 3 – Monitor the promotion of pork and pork products in Scotland and Wales under regional brands and utilise any aspects that are of value to English producers and processors	Attend 4 meetings per annum with Scottish and Welsh devolved bodies to discuss regional branding activity

Target	Performance
Objective 2.1 – Inspire British consumers to increase demand for Quality Assured pork and pork products	
Strategy 1 – Defend and enhance the image of Quality Assured pork and pork products in England and Wales through communication directly to consumers. This will be integrated with the activities of individual supply chains	Improve usage to 77% as measured by PorkWatch
Strategy 2 – Inspire consumers to increase demand by positioning pork and pork products as a modern, convenient, healthy part of everyday meals	Improve Millward Brown baseline for consumer perception of pork as "too fatty" from 38% to 36%
Strategy 3 – Inspire English and Welsh abattoirs and meat processors to produce a continuous range of new products and presentations for pork and pork products, particularly through targeted consumer and market research	Communicate research findings to 80% of pig meat processors
Strategy 4 – Inspire English and Welsh parts of the food service sector to increase their sales of Quality Assured pork and pork products in Britain to satisfy the growing demands of their customers	Secure inclusion of quality British pig meat in public procurement policy and increase year-on-year usage volume by 5%
Strategy 5 – Collate and disseminate all available information on techniques to improve eating quality, including measurement methods in the carcass	Facilitate the introduction of new techniques within one identified supply chain per annum
Strategy 6 – Work with retailers and food service companies on cooking recommendations to ensure that eating quality is maximised	Provide recipe advice for 50 product lines
Objective 2.2 – Develop local and regional marketing opportunities	
Strategy 1 – Support the development of local and regional marketing channels for pork and pork products through technical and marketing advice and targeted support where appropriate	Attend meetings with 20 potential businesses exploring local or regional marketing initiatives
Strategy 2 – Assist individuals and groups of individuals to access Regional Development funds	Secure £150k funds
Strategy 3 – Monitor the promotion of pork and pork products in Scotland and Wales under regional brands and utilise any aspects that are of value to English producers and processors	Attend 4 meetings per annum with Scottish and Welsh devolved bodies to discuss regional branding activity
Strategy 4 – Inspire English and Welsh parts of the food service sector to increase their sales of Quality Assured pork and pork products in Britain to satisfy the growing demands of their customers	Secure inclusion of quality British pig meat in public procurement policy and increase year-on-year usage volume by 5%
Strategy 5 – Collate and disseminate all available information on techniques to improve eating quality, including measurement methods in the carcass	Facilitate the introduction of new techniques within one identified supply chain per annum
Strategy 6 – Work with retailers and food service companies on cooking recommendations to ensure that eating quality is maximised	Provide recipe advice for 50 product lines

Table B.3 2. To defend and add value to British markets for pork and pork products

BPEX Performance against target 2005/06



John Cross
Chairman, EBLEX

EBLEX CHAIRMAN'S REPORT

To date over 12,000 producers have engaged with the Sheep Better Returns Programme, 8,000 outlets are now registered to sell Quality Standard beef and lamb, and our regional managers contributed to over 300 stakeholder meetings during the year.

Work with producers and stakeholders during the year continued on a range of issues, ensuring EBLEX expertise and information is shared for a wider industry benefit.

Livestock enterprises are having to make hard decisions about costs and overheads and how they respond to the market to ensure they are in the best position to make the most of the positive opportunities that lie ahead – particularly in the wake of the lifting of the beef exports ban.

Against that background, EBLEX refreshed its business plan to focus on three key areas:

- Encouraging better returns for the English beef and lamb industry
- Stimulating a profitable demand for quality beef and lamb
- Championing the development of a sustainable industry through improved profitability

These, in turn, are now served by three core EBLEX 'products':

- **Better Returns** – focusing on activities related to on-farm or near farm development
- **Sustainable Supply Chains** – whole chain activity designed to connect the red meat chain, and encompassing areas such as retail packaging and human nutrition
- **Building Profitable Markets** – building a positive business environment through activities such as exporting, marketing and promotion.

John Cross, Chairman and MLC Commissioner
Farms a mixed arable and livestock enterprise in North West Norfolk. He was formerly the Chairman of MLC's Beef and Lamb Promotion Council.

David Raine, Deputy Chairman (National Sheep Association)
Farms cattle and sheep in a Cumbrian farming partnership and was a past Chairman of the National Sheep Association and MLC's Sheep Strategy Council.

Norman Bagley (Association of Independent Meat Suppliers)
Policy Director of the Association of Independent Meat Suppliers.

OUR STRATEGY}

OUR BOARD}

**EBLEX
CHAIRMAN'S
REPORT**

To date over 12,000 producers have engaged with the Sheep Better Returns Programme, 8,000 outlets are now registered to sell Quality Standard beef and lamb, and our regional managers contributed to over 300 stakeholder meetings during the year.



John Cross
Chairman, EBLEX

Work with producers and stakeholders during the year continued on a range of issues, ensuring EBLEX expertise and information is shared for a wider industry benefit.

Livestock enterprises are having to make hard decisions about costs and overheads and how they respond to the market to ensure they are in the best position to make the most of the positive opportunities that lie ahead – particularly in the wake of the lifting of the beef exports ban.

Against that background, EBLEX refreshed its business plan to focus on three key areas:

- Encouraging better returns for the English beef and lamb industry
- Stimulating a profitable demand for quality beef and lamb
- Championing the development of a sustainable industry through improved profitability

These, in turn, are now served by three core EBLEX 'products':

- **Better Returns** – focusing on activities related to on-farm or near farm development
- **Sustainable Supply Chains** – whole chain activity designed to connect the red meat chain, and encompassing areas such as retail packaging and human nutrition
- **Building Profitable Markets** – building a positive business environment through activities such as exporting, marketing and promotion.

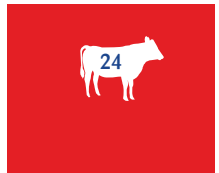
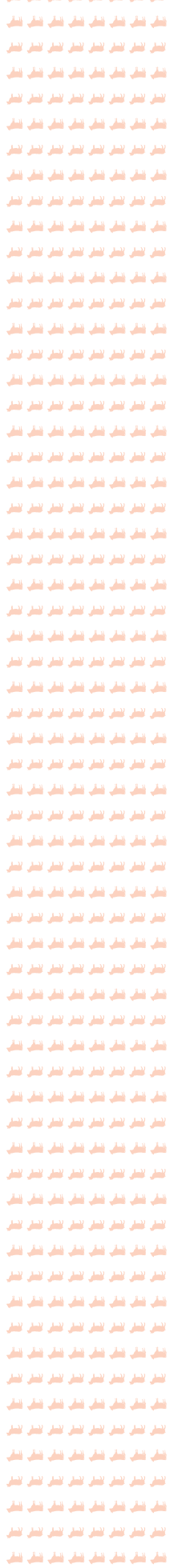
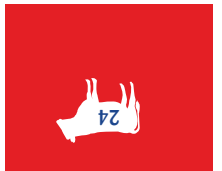
John Cross, Chairman and MLC Commissioner
Farms a mixed arable and livestock enterprise in North West Norfolk. He was formerly the Chairman of MLC's Beef and Lamb Promotion Council.

David Raine, Deputy Chairman (National Sheep Association)
Farms cattle and sheep in a Cumbrian farming partnership and was a past Chairman of the National Sheep Association and MLC's Sheep Strategy Council.

Norman Bagley (Association of Independent Meat Suppliers)
Policy Director of the Association of Independent Meat Suppliers.

OUR BOARD}

OUR STRATEGY}



John Hoskin (National Farmers' Union)
 Farms 1700 acres with beef cattle and sheep in Dorset and Cornwall in partnership with his family.

Peter King (National Farmers' Union)
 Heads up the livestock team at the National Farmers' Union for England and Wales. A former NFU economist, he has a variety of experience of agriculture overseas and practical farming in the UK.

Peter Kingwill (Livestock Auctioneers' Association)
 An auctioneer from the South West and a former Chairman of the Livestock Auctioneers' Association of England and Wales.

Peter Mitchell (British Meat Processors' Association)
 A Director of Esca Foods Ltd, the exclusive supplier of beef patties to McDonald's restaurants in the UK, he is Chairman of the McDonald's European Beef Council. Peter is a former member of the MLC Cattle Strategy Council.

Frank Momber (National Beef Association)
 Runs a commercial suckler herd in partnership with his son in Hampshire, and is National Beef Association board member.

David Morgan (National Farmers' Union)
 Has a large-scale beef and sheep farm on the border of England and Wales.

Ryan Williams (British Meat Processors' Association)
 Group Sales Manager with ABP where he is responsible for UK sales operations.

Chris Wood (British Meat Processors' Association)
 Runs a family-owned slaughter and processing business in Nottingham with his brother, and a livestock farming business.



John Hoskin (National Farmers' Union)

Farms 1700 acres with beef cattle and sheep in Dorset and Cornwall in partnership with his family.

Peter King (National Farmers' Union)

Heads up the livestock team at the National Farmers' Union for England and Wales. A former NFU economist, he has a variety of experience of agriculture overseas and practical farming in the UK.

Peter Kingwill (Livestock Auctioneers' Association)

An auctioneer from the South West and a former Chairman of the Livestock Auctioneers' Association of England and Wales.

Peter Mitchell (British Meat Processors' Association)

A Director of Esca Foods Ltd, the exclusive supplier of beef patties to McDonald's restaurants in the UK, he is Chairman of the McDonald's European Beef Council. Peter is a former member of the MLC Cattle Strategy Council.

Frank Momber (National Beef Association)

Runs a commercial suckler herd in partnership with his son in Hampshire, and is National Beef Association board member.

David Morgan (National Farmers' Union)

Has a large-scale beef and sheep farm on the border of England and Wales.

Ryan Williams (British Meat Processors' Association)

Group Sales Manager with ABP where he is responsible for UK sales operations.

Chris Wood (British Meat Processors' Association)

Runs a family-owned slaughter and processing business in Nottingham with his brother, and a livestock farming business.

Delivering our strategy

Paving the way for exports

May's lifting of the beef export ban was the culmination of years of hard work by the industry and government. Access to export markets will undoubtedly help assure a more stable future for our beef producers and processors, and EBLEX has concentrated its efforts in paving the way for the smooth entry of beef into overseas markets.

Earlier this year, with Defra funding under the Beef Market Restoration Programme, EBLEX organised a programme of three export seminars for key processors to brief them on current marketing opportunities for all types of beef. These seminars focused on research from target markets identifying the scope of the market and the challenges faced by importers and traders. An exporters' convention is also planned for later this year in France – a key market for beef from older animals.

EBLEX launched its 'Be A Sport Appeal' just weeks before the export ban was lifted, linking up with famous Olympians and the charity SportsAid to promote Quality Standard beef mince. With minced beef and minced beef products accounting for more than 46% of national beef sales, this is a key market for the industry.

Our promotional work on Quality Standard beef is being supported by activity beyond the farm gate. As well as a number of new 'Action for Profit' factsheets on beef production, EBLEX has commissioned feeding trials at Reading University to produce a cost-benefit analysis of cull cow finishing, and is putting the final touches to an industry-led quality price reporting system for older cattle to demonstrate the price differential in the market.

A high profile attendance at international shows and exhibitions continues to provide a platform to communicate our positive messages on quality lamb and beef. At one show in Milan, English beef created substantial interest generating over 100 sales leads from food service outlets. An English beef presence at the European Fine Food Fair in Maastricht also led to significant press and trade interest.

On the lamb export front we have provided ongoing marketing support to boost in-store lamb promotion in key multiple retailer accounts in France, Netherlands and Belgium. The EBLEX Quality Standard mark was also used for the first time with great success in an export market in a promotion with a French supermarket.

Consolidation of the Quality Standard Mark

Three phases of Quality Standard Mark television and press advertising were rolled out during the year featuring three television campaigns and five press adverts. This has been supported by heavy weight PR activity which has delivered the equivalent of £5.2m worth of media coverage.

Independent advertising and brand tracking carried out in November has demonstrated very favourable results for advertising awareness. 68% of consumers were aware of the television adverts following the autumn phase, 21 points above other advertisers on their panel. The research - which is being repeated later this year - showed consumers are enjoying the adverts with more than three quarters saying the Quality Standard Mark was a label they could trust (76%).



Independent measurement of brand awareness showed that after five months on the market 50% of consumers were aware of the Quality Standard label.

Membership of the independently-audited Quality Standard Mark Scheme continues to go from strength to strength, with 2,200 members representing over 8,000 outlets across the country.

Research and development

EBLEX has continued to work with the other federal bodies on joint R&D projects. This is in addition to funding its own programmes to benefit English producers.

New joint projects for the year have included a sheep video image analysis (VIA) trial and a three-year breeding trial for resistance to footrot. EBLEX has also funded its own footrot technology transfer project - on the basis that if a 50% reduction in incidence can be achieved by 10% of producers then the value to industry could be worth an estimated £750,000 per annum.

A lamb flavour review was also undertaken by EBLEX and completed in the year, while new beef work has included a whole crop feeding trial and a Breeds Prediction Software project looking to evaluate suckler cow replacement breeding programmes.

A high profile EBLEX survey comparing liveweight farm-assured prices to those of non-farm assured livestock was published in October, generating significant interest from all industry sectors. This is being repeated again in 2006.

Communications

On the ground, EBLEX Regional Managers have significantly raised their profile with key regional influencers, ensuring EBLEX is now directly involved with a growing number of regional foodchain and livestock producer initiatives.

The EBLEX website, which currently has over 4,000 registered users, is being redesigned to make it more user friendly and ensure information is clearly signposted both for stakeholders and staff. A revised website registration process will also help improve the quality of information held on the EBLEX database.

Our publications continued to grow rapidly as the result of the Sheep Better Returns Programme and other regional technology transfer activity. A signposting leaflet 'How Can EBLEX help You?', which lists all the EBLEX publications available was mailed to over 9,000 producers, generating an unprecedented number of direct requests for literature and email publications.

Better returns programmes

The Sheep Better Returns Programme has been an outstanding success for the 12,000 producers who participated. In reviewing the programme's impact, an independent survey showed more than 80% of English farmers questioned were aware of the BRP with 28% actively making, or intending to make, management changes as result of information gleaned from the project.

EBLEX is now seeking additional support from regional funding bodies to build on the core programme of events in 2006, and will be using the valuable experience gained in running the Sheep Better Returns Programme to start shaping the grass roots delivery of the Defra-funded Beef Better Returns Programme in 2006.

Independent measurement of brand awareness showed that after five months on the market 50% of consumers were aware of the Quality Standard label.

Membership of the independently-audited Quality Standard Mark Scheme continues to go from strength to strength, with 2,200 members representing over 8,000 outlets across the country.

Research and development

EBLEX has continued to work with the other federal bodies on joint R&D projects. This is in addition to funding its own programmes to benefit English producers.

New joint projects for the year have included a sheep video image analysis (VIA) trial and a three-year breeding trial for resistance to footrot. EBLEX has also funded its own footrot technology transfer project - on the basis that if a 50% reduction in incidence can be achieved by 10% of producers then the value to industry could be worth an estimated £750,000 per annum.

A lamb flavour review was also undertaken by EBLEX and completed in the year, while new beef work has included a whole crop feeding trial and a Breeds Prediction Software project looking to evaluate suckler cow replacement breeding programmes.

A high profile EBLEX survey comparing liveweight farm-assured prices to those of non-farm assured livestock was published in October, generating significant interest from all industry sectors. This is being repeated again in 2006.

Communications

On the ground, EBLEX Regional Managers have significantly raised their profile with key regional influencers, ensuring EBLEX is now directly involved with a growing number of regional foodchain and livestock producer initiatives.

The EBLEX website, which currently has over 4,000 registered users, is being redesigned to make it more user friendly and ensure information is clearly signposted both for stakeholders and staff. A revised website registration process will also help improve the quality of information held on the EBLEX database.

Our publications continued to grow rapidly as the result of the Sheep Better Returns Programme and other regional technology transfer activity. A signposting leaflet 'How Can EBLEX help You?', which lists all the EBLEX publications available was mailed to over 9,000 producers, generating an unprecedented number of direct requests for literature and email publications.

Better returns programmes

The Sheep Better Returns Programme has been an outstanding success for the 12,000 producers who participated. In reviewing the programme's impact, an independent survey showed more than 80% of English farmers questioned were aware of the BRP with 28% actively making, or intending to make, management changes as result of information gleaned from the project.

EBLEX is now seeking additional support from regional funding bodies to build on the core programme of events in 2006, and will be using the valuable experience gained in running the Sheep Better Returns Programme to start shaping the grass roots delivery of the Defra-funded Beef Better Returns Programme in 2006.

Delivering our strategy

Paving the way for exports

May's lifting of the beef export ban was the culmination of years of hard work by the industry and government. Access to export markets will undoubtedly help assure a more stable future for our beef producers and processors, and EBLEX has concentrated its efforts in paving the way for the smooth entry of beef into overseas markets.

Earlier this year, with Defra funding under the Beef Market Restoration Programme, EBLEX organised a programme of three export seminars for key processors to brief them on current marketing opportunities for all types of beef. These seminars focused on research from target markets identifying the scope of the market and the challenges faced by importers and traders. An exporters' convention is also planned for later this year in France – a key market for beef from older animals.

EBLEX launched its 'Be A Sport Appeal' just weeks before the export ban was lifted, linking up with famous Olympians and the charity SportsAid to promote Quality Standard beef mince. With minced beef and minced beef products accounting for more than 46% of national beef sales, this is a key market for the industry.

Our promotional work on Quality Standard beef is being supported by activity beyond the farm gate. As well as a number of new 'Action for Profit' factsheets on beef production, EBLEX has commissioned feeding trials at Reading University to produce a cost-benefit analysis of cull cow finishing, and is putting the final touches to an industry-led quality price reporting system for older cattle to demonstrate the price differential in the market.

A high profile attendance at international shows and exhibitions continues to provide a platform to communicate our positive messages on quality lamb and beef. At one show in Milan, English beef created substantial interest generating over 100 sales leads from food service outlets. An English beef presence at the European Fine Food Fair in Maastricht also led to significant press and trade interest.

On the lamb export front we have provided ongoing marketing support to boost in-store lamb promotion in key multiple retailer accounts in France, Netherlands and Belgium. The EBLEX Quality Standard mark was also used for the first time with great success in an export market in a promotion with a French supermarket.

Consolidation of the Quality Standard Mark

Three phases of Quality Standard Mark television and press advertising were rolled out during the year featuring three television campaigns and five press adverts. This has been supported by heavy weight PR activity which has delivered the equivalent of £5.2m worth of media coverage.

Independent advertising and brand tracking carried out in November has demonstrated very favourable results for advertising awareness. 68% of consumers were aware of the television adverts following the autumn phase, 21 points above other advertisers on their panel. The research - which is being repeated later this year - showed consumers are enjoying the adverts with more than three quarters saying the Quality Standard Mark was a label they could trust (76%).





John Cross
Chairman
English Beef and Lamb Executive

Looking forward, EBLEX will build on its core programme of Sheep Better Returns activity and will continue to build strategic alliances with organisations such as regional development agencies and the RMIF.

A brief look forward

On-farm costings continue to be the all-important starting point for delivering better returns, and EBLEX published its third set of Business Pointers in November, comparing costs across a variety of beef and sheep enterprises. This data is being revisited again for 2006, and EBLEX is working with the Red Meat Industry Forum to encourage a wider grass roots uptake of the costings message.

Twelve 'Action for Profit' sheets for beef and sheep have been developed during the year – available both online and in hard copy. Each online Action for Profit sheet tackles very specific subjects in a single A4 format, providing the reader with the opportunity to click hyperlinks to more detailed technical information at a second level.

Publishing technical information

This project identified a set of key technical issues, which producers felt would have a positive influence on their beef and sheep management. It has culminated in a series of beef and sheep events delivered with various partners throughout the region – each one supported by technical fact sheets and articles in the regional press.

The EBLEX South West Technology Interaction (TI) project has been successfully developed throughout the year, building partnerships with key processor producer groups in the South West.

South West TI project



South West TI project

The EBLEX South West Technology Interaction (TI) project has been successfully developed throughout the year, building partnerships with key processor producer groups in the South West.

This project identified a set of key technical issues, which producers felt would have a positive influence on their beef and sheep management. It has culminated in a series of beef and sheep events delivered with various partners throughout the region – each one supported by technical fact sheets and articles in the regional press.

Publishing technical information

Twelve 'Action for Profit' sheets for beef and sheep have been developed during the year – available both online and in hard copy. Each online Action for Profit sheet tackles very specific subjects in a single A4 format, providing the reader with the opportunity to click hyperlinks to more detailed technical information at a second level.

On-farm costings continue to be the all-important starting point for delivering better returns, and EBLEX published its third set of Business Pointers in November, comparing costs across a variety of beef and sheep enterprises. This data is being revisited again for 2006, and EBLEX is working with the Red Meat Industry Forum to encourage a wider grass roots uptake of the costings message.

A brief look forward

Looking forward, EBLEX will build on its core programme of Sheep Better Returns activity and will continue to build strategic alliances with organisations such as regional development agencies and the RMIF.

John Cross
Chairman
English Beef and Lamb Executive



EBLEX Performance against target 2005/06

I. Adding value (Competitiveness and sustainability)

Table E.1

Target	Performance
Objective 1.1 – Reduce the cost of farm gate production for beef, excluding external influences such as feed prices and interest rates whilst maintaining or improving quality, by 8p/kilo, from 87p/kilo to 79p/kilo, by 2008	
Strategy 1 – Develop a more robust and effective benchmarking framework at lower cost	Publish benchmark data by 30 November 2005 at a saving of £20k per annum compared to the current situation
Strategy 2 – Maintain and develop an effective R&D programme focused on lowering the cost of production in the areas of feeding, breeding, animal and data management, disease control and welfare, human nutrition and slaughter, processing, packaging and storage	Predicted value of 7 live research projects over the next 5 years = a total benefit of £3.0m
Strategy 3 – Dissemination and uptake of the knowledge and best practice techniques derived from the R&D programme identified above	Predicted value of uptake of knowledge and best practice to the industry = a total benefit of £5.5m
Objective 1.2 – Reduce the cost of farm gate production for lamb, excluding external influences such as feed prices and interest rates whilst maintaining or improving quality, by 6p/kilo, from 130p/kilo to 124p/kilo, by 2008	
Strategy 1 – Develop a more robust and effective benchmarking framework at lower cost	Publish benchmark data by 30 November 2005 at a saving of £20k per annum compared to the current situation
Strategy 2 – Maintain and develop an effective R&D programme focused on lowering the cost of production in the areas of feeding, breeding, animal and data management, disease control and welfare, human nutrition and slaughter, processing, packaging and storage	Predicted value of 5 live research projects over the next 5 years = a total benefit of £2.0m
Strategy 3 – Dissemination and uptake of the knowledge and best practice techniques derived from the R&D programme identified above	Predicted value of uptake of knowledge and best practice to the industry = a total benefit of £3.5m
Strategy 4 – Deliver the Better Returns Project, in line with published targets available at www.eblexbetterreturns.org.uk	Predicted value of uptake of knowledge and best practice to the industry = £2.0m benefit by the end of the programme
Objective 1.3 – Exploit opportunities and communicate threats to beef/lamb products from developments in the areas of diet, health and nutrition	
Strategy 1 – Interpret Government policy initiatives in areas such as public sector food provision, health promotion and food labelling etc. and advise industry sectors on most appropriate response	Regular reports with project review to EBLEX Board

Target	Performance
Objective 1.1 – Reduce the cost of farm gate production for beef, excluding external influences such as feed prices and interest rates whilst maintaining or improving quality, by 8p/kilo, from 87p/kilo to 79p/kilo, by 2008	
Strategy 1 – Develop a more robust and effective benchmarking framework at lower cost	Publish benchmark data by 30 November 2005 at a saving of £20k per annum compared to the current situation
Strategy 2 – Maintain and develop an effective R&D programme focused on lowering the cost of production in the areas of feeding, breeding, animal and data management, disease control and welfare, human nutrition and slaughter, processing, packaging and storage	Predicted value of 7 live research projects over the next 5 years = a total benefit of £3.0m
Strategy 3 – Dissemination and uptake of the knowledge and best practice techniques derived from the R&D programme identified above	Predicted value of uptake of knowledge and best practice to the industry = a total benefit of £5.5m
Objective 1.2 – Reduce the cost of farm gate production for lamb, excluding external influences such as feed prices and interest rates whilst maintaining or improving quality, by 6p/kilo, from 130p/kilo to 124p/kilo, by 2008	
Strategy 1 – Develop a more robust and effective benchmarking framework at lower cost	Publish benchmark data by 30 November 2005 at a saving of £20k per annum compared to the current situation
Strategy 2 – Maintain and develop an effective R&D programme focused on lowering the cost of production in the areas of feeding, breeding, animal and data management, disease control and welfare, human nutrition and slaughter, processing, packaging and storage	Predicted value of 5 live research projects over the next 5 years = a total benefit of £2.0m
Strategy 3 – Dissemination and uptake of the knowledge and best practice techniques derived from the R&D programme identified above	Predicted value of uptake of knowledge and best practice to the industry = a total benefit of £3.5m
Strategy 4 – Deliver the Better Returns Project, in line with published targets available at www.eblexbetterreturns.org.uk	Predicted value of uptake of knowledge and best practice to the industry = £2.0m benefit by the end of the programme
Objective 1.3 – Exploit opportunities and communicate threats to beef/lamb products from developments in the areas of diet, health and nutrition	
Strategy 1 – Interpret Government policy initiatives in areas such as public sector food provision, health promotion and food labelling etc. and advise industry sectors on most appropriate response	Regular reports with project review to EBLEX Board

Table E.1

I. Adding value (Competitiveness and sustainability)

EBLEX Performance against target 2005/06



Target	Performance
Objective 2.1 – Significantly improve the real value of beef and lamb to all stakeholders, including consumers	Strategy 1 – Undertake ongoing research to ensure the English QSM advertising message and brand proposition delivers increased awareness Publish benchmark data by 30 November 2005 at a saving of £20k per annum compared to the current situation Predicted value of 7 live research projects over the next 5 years = a total benefit of £3.0m Achieved
Objective 2.2 – Increase the share of beef and lamb in the English marketplace from 45% to 55% by 2010	Strategy 2 – Consolidate the English quality proposition Predicted value of uptake of knowledge and best practice to the industry = a total benefit of £5.5m Achieved. Delivered 12 beef 'Action for Profit' factsheets and over 150 producer events and meetings Strategy 3 – Premiumisation of the English quality proposition Publish benchmark data by 30 November 2005 at a saving of £20k per annum compared to the current situation Achieved Strategy 4 – Appropriate management of non-QSM Marketing Activities and review collaborative British Meat programme in light of changes to State Aids legislation Predicted value of 5 live research projects over the next 5 years = a total benefit of £2.0m Funded 17 sheep projects, including 7 PhD studentships with an estimated value to industry over the next 5 years of £8.4m
Objective 2.3 – Increase the volume of English beef and lamb in specific overseas markets from 75k tonnes to 100k tonnes by 2008 and support the re-entry of beef into the export market	Strategy 1 – Against the background of appropriate regulatory changes, facilitate the re-entry of beef into export markets Predicted value of uptake of knowledge and best practice to the industry = a total benefit of £3.5m Achieved. Delivered 12 lamb 'Action for Profit' factsheets and over 150 producer events and meetings Strategy 2 – Against the background of appropriate regulatory changes, facilitate the smooth transition of OTM beef back to the marketplace Predicted value of uptake of knowledge and best practice to the industry = £2.0m benefit by the end of the programme Achieved. Completed delivery of Defra-funded project with 363 events, 12,000+ producer participants. Achieved 82% recognition and 14% change in producer practice Strategy 3 – Targeting specific European markets Regular reports with project review to EBLEX Board Appropriate information and papers on diet, health and nutrition circulated to Board members

Table E.2 2. Marketing Proposition (Influencing Demand)

Target	Performance
Objective 3.1 – Providing timely and relevant solutions to key issues which EBLEX can affect, effectively communicating them and seeking ways to improve the value of the process	Strategy 1 – Rigorous assessment of external drivers affecting the industry A minimum 75% stakeholder awareness and satisfaction score 85% stakeholder satisfaction score Strategy 2 – Developing solutions to issues that we can influence and are important All key issues appropriately dealt with Relevant EBLEX expertise and information has been shared with stakeholders to the benefit of stakeholders and other industry organisations Strategy 3 – Effective communication to industry stakeholders of relevant knowledge A minimum 75% stakeholder awareness and satisfaction score 85% stakeholder satisfaction score
Objective 3.2 – Managing effectively and constantly seeking ways to improve our internal knowledge management process to become a world-class organisation	Strategy 1 – Develop a web-based knowledge management infrastructure that better facilitates the sharing of knowledge Ongoing population of the KM repository and improved utilisation Over 200 technology transfer documents, news releases and industry briefings made available on the website Strategy 2 – Management style to facilitate continuous improvement A minimum 80% internal stakeholder awareness and satisfaction score 90% internal stakeholder satisfaction score achieved (February 2006)

Table E.3 3. External Drivers (Knowledge Management)

EBLEX Performance against target 2005/06

EBLEX Performance against target 2005/06

2. Marketing Proposition (Influencing Demand)

Table E.2

Target	Performance
Objective 2.1 – Significantly improve the real value of beef and lamb to all stakeholders, including consumers	Strategy 1 – Undertake ongoing research to ensure the English QSM advertising message and brand proposition delivers increased awareness Publish benchmark data by 30 November 2005 at a saving of £20k per annum compared to the current situation Predicted value of 7 live research projects over the next 5 years = a total benefit of £3.0m Achieved Funded 18 beef projects, including 6 PhD studentships with an estimated value to industry over the next 5 years of £8.5m
Objective 2.2 – Increase the share of beef and lamb in the English marketplace from 45% to 55% by 2010	Strategy 2 – Consolidate the English quality proposition Predicted value of uptake of knowledge and best practice to the industry = a total benefit of £5.5m Achieved. Delivered 12 beef 'Action for Profit' factsheets and over 150 producer events and meetings Strategy 3 – Premiumisation of the English quality proposition Publish benchmark data by 30 November 2005 at a saving of £20k per annum compared to the current situation Achieved Strategy 4 – Appropriate management of non-QSM Marketing Activities and review collaborative British Meat programme in light of changes to State Aids legislation Predicted value of 5 live research projects over the next 5 years = a total benefit of £2.0m Funded 17 sheep projects, including 7 PhD studentships with an estimated value to industry over the next 5 years of £8.4m
Objective 2.3 – Increase the volume of English beef and lamb in specific overseas markets from 75k tonnes to 100k tonnes by 2008 and support the re-entry of beef into the export market	Strategy 1 – Against the background of appropriate regulatory changes, facilitate the re-entry of beef into export markets Predicted value of uptake of knowledge and best practice to the industry = a total benefit of £3.5m Achieved. Delivered 12 lamb 'Action for Profit' factsheets and over 150 producer events and meetings Strategy 2 – Against the background of appropriate regulatory changes, facilitate the smooth transition of OTM beef back to the marketplace Predicted value of uptake of knowledge and best practice to the industry = £2.0m benefit by the end of the programme Achieved. Completed delivery of Defra-funded project with 363 events, 12,000+ producer participants. Achieved 82% recognition and 14% change in producer practice Strategy 3 – Targeting specific European markets Regular reports with project review to EBLEX Board Appropriate information and papers on diet, health and nutrition circulated to Board members

3. External Drivers (Knowledge Management)

Table E.3

Target	Performance
Objective 3.1 – Providing timely and relevant solutions to key issues which EBLEX can affect, effectively communicating them and seeking ways to improve the value of the process	Strategy 1 – Rigorous assessment of external drivers affecting the industry A minimum 75% stakeholder awareness and satisfaction score 85% stakeholder satisfaction score Strategy 2 – Developing solutions to issues that we can influence and are important All key issues appropriately dealt with Relevant EBLEX expertise and information has been shared with stakeholders to the benefit of stakeholders and other industry organisations Strategy 3 – Effective communication to industry stakeholders of relevant knowledge A minimum 75% stakeholder awareness and satisfaction score 85% stakeholder satisfaction score
Objective 3.2 – Managing effectively and constantly seeking ways to improve our internal knowledge management process to become a world-class organisation	Strategy 1 – Develop a web-based knowledge management infrastructure that better facilitates the sharing of knowledge Ongoing population of the KM repository and improved utilisation Over 200 technology transfer documents, news releases and industry briefings made available on the website Strategy 2 – Management style to facilitate continuous improvement A minimum 80% internal stakeholder awareness and satisfaction score 90% internal stakeholder satisfaction score achieved (February 2006)





Rees Roberts OBE
Chairman, HCC

HCC CHAIRMAN'S REPORT

About Hybu Cig Cymru

Hybu Cig Cymru/Meat Promotion Wales (HCC) is the sole strategic body for the promotion and development of the Welsh red meat industry and its mission is to develop profitable and sustainable markets for the benefit of all stakeholders in the supply chain in Wales.

HCC represents the interests of the industry supply chain through a programme of activities to add value, inform and raise awareness of our excellent quality products.

Review of the year

In the last twelve months, and in the pursuance of developing profitable and sustainable markets for Welsh red meat, HCC's Board has successfully implemented a widespread domestic and European action plan.

It was a year when the industry metamorphosed from the period of uncertainty surrounding Common Agricultural Policy reform to face square on the challenges and changes of the new climate and develop positive opportunities.

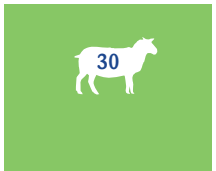
Opportunities that can only be grasped in the marketplace by driving our Protected Geographical Indication (PGI)-led brands to meet the needs of ever discerning consumers- brands whose integrity is protected by a HCC-appointed independent inspectorate to provide peace of mind to Welsh farmers.

The beef and sheep sectors are recognised as essential contributors to the economy of Wales, the nation's culture and its environment. In order to sustain and advance these merits HCC has, during 2005-06, designed and delivered a set of five strategic goals.

An overview of this activity shows HCC has:

- Substantially broadened awareness of Welsh red meat within the market
- Differentiated our products on the basis of quality and their PGI credentials - the prized European Union awards for a special regional food of quality
- Facilitated the pursuit of technical improvement and breeding excellence by directing an influential programme of strategic industry development to improve animal health, test new technologies and boost competitiveness
- Strengthened the red meat supply chain
- Continued to improve its communication of activities to stakeholders.

One of HCC's great strengths is that we are able to act for and bring together the whole industry in Wales for a return that is greater than all of the composite parts. An example was HCC's



One of HCC's great strengths is that we are able to act for and bring together the whole industry in Wales for a return that is greater than all of the composite parts. An example was HCC's

- Continued to improve its communication of activities to stakeholders.
- Strengthened the red meat supply chain technologies and boost competitiveness
- Facilitated the pursuit of technical improvement and breeding excellence by directing an influential programme of strategic industry development to improve animal health, test new technologies and boost competitiveness
- Differentiated our products on the basis of quality and their PGI credentials - the prized European Union awards for a special regional food of quality
- Substantially broadened awareness of Welsh red meat within the market

An overview of this activity shows HCC has:

- Substantially broadened awareness of Welsh red meat within the market
- Differentiated our products on the basis of quality and their PGI credentials - the prized European Union awards for a special regional food of quality
- Facilitated the pursuit of technical improvement and breeding excellence by directing an influential programme of strategic industry development to improve animal health, test new technologies and boost competitiveness
- Strengthened the red meat supply chain
- Continued to improve its communication of activities to stakeholders.

It was a year when the industry metamorphosed from the period of uncertainty surrounding Common Agricultural Policy reform to face square on the challenges and changes of the new climate and develop positive opportunities.

Opportunities that can only be grasped in the marketplace by driving our Protected Geographical Indication (PGI)-led brands to meet the needs of ever discerning consumers- brands whose integrity is protected by a HCC-appointed independent inspectorate to provide peace of mind to Welsh farmers.

The beef and sheep sectors are recognised as essential contributors to the economy of Wales, the nation's culture and its environment. In order to sustain and advance these merits HCC has, during 2005-06, designed and delivered a set of five strategic goals.

An overview of this activity shows HCC has:

- Substantially broadened awareness of Welsh red meat within the market
- Differentiated our products on the basis of quality and their PGI credentials - the prized European Union awards for a special regional food of quality
- Facilitated the pursuit of technical improvement and breeding excellence by directing an influential programme of strategic industry development to improve animal health, test new technologies and boost competitiveness
- Strengthened the red meat supply chain
- Continued to improve its communication of activities to stakeholders.

One of HCC's great strengths is that we are able to act for and bring together the whole industry in Wales for a return that is greater than all of the composite parts. An example was HCC's

HCC CHAIRMAN'S REPORT

About Hybu Cig Cymru

Hybu Cig Cymru/Meat Promotion Wales (HCC) is the sole strategic body for the promotion and development of the Welsh red meat industry and its mission is to develop profitable and sustainable markets for the benefit of all stakeholders in the supply chain in Wales.

HCC represents the interests of the industry supply chain through a programme of activities to add value, inform and raise awareness of our excellent quality products.

Review of the year

In the last twelve months, and in the pursuance of developing profitable and sustainable markets for Welsh red meat, HCC's Board has successfully implemented a widespread domestic and European action plan.

It was a year when the industry metamorphosed from the period of uncertainty surrounding Common Agricultural Policy reform to face square on the challenges and changes of the new climate and develop positive opportunities.

Opportunities that can only be grasped in the marketplace by driving our Protected Geographical Indication (PGI)-led brands to meet the needs of ever discerning consumers- brands whose integrity is protected by a HCC-appointed independent inspectorate to provide peace of mind to Welsh farmers.

The beef and sheep sectors are recognised as essential contributors to the economy of Wales, the nation's culture and its environment. In order to sustain and advance these merits HCC has, during 2005-06, designed and delivered a set of five strategic goals.

An overview of this activity shows HCC has:

- Substantially broadened awareness of Welsh red meat within the market
- Differentiated our products on the basis of quality and their PGI credentials - the prized European Union awards for a special regional food of quality
- Facilitated the pursuit of technical improvement and breeding excellence by directing an influential programme of strategic industry development to improve animal health, test new technologies and boost competitiveness
- Strengthened the red meat supply chain
- Continued to improve its communication of activities to stakeholders.

One of HCC's great strengths is that we are able to act for and bring together the whole industry in Wales for a return that is greater than all of the composite parts. An example was HCC's



Rees Roberts OBE
Chairman, HCC





ability to effectively and urgently act in the industry's interests in September 2005, when the Board of Directors agreed to make use of financial reserves to fund extra marketing activity for Welsh Beef to help stabilise the domestic market.

HCC had pressed for some time for an end to the Over Thirty-Month Scheme for cattle and were delighted to welcome the announcement of a scheduled re-entry of Over Thirty-Month cattle after a gap of nearly ten years.

Following the publication of an Independent Review of Agricultural and Horticultural Levy Bodies undertaken by Rosemary Radcliffe on behalf of UK and Devolved Administration Ministers to look at the way levy bodies worked, Carwyn Jones AM, Minister for Environment, Planning and Countryside, announced that the Review's outputs would be subject to a 12-week Welsh consultation.

During the year the Board of Directors agreed the non-levy financed investment development of appropriate, cost-effective office accommodation - a stakeholder resource befitting an organisation driving the strategic advances of Wales' premier industry in the 21st century.

HCC continued its partnership with the Welsh Assembly Government and the Welsh Development Agency's (WDA) Agri Food Partnership to the benefit of the industry and reinforced its role as the "Knowledge House" of the red meat industry, facilitating day-to-day policy implementation through a single, informed access point.

We look forward to working with the Welsh Assembly Government (WAG) in the coming twelve months following the re-organisation and strengthening of the administration by the merger of WDA and WAG.

Since its inception, HCC has led the movement calling for the procurement of fresh, quality local meat in public sector organisations and our activities in this sector assisted in recording some good gains last year.



ability to effectively and urgently act in the industry's interests in September 2005, when the Board of Directors agreed to make use of financial reserves to fund extra marketing activity for Welsh Beef to help stabilise the domestic market.

HCC had pressed for some time for an end to the Over Thirty-Month Scheme for cattle and were delighted to welcome the announcement of a scheduled re-entry of Over Thirty-Month cattle after a gap of nearly ten years.

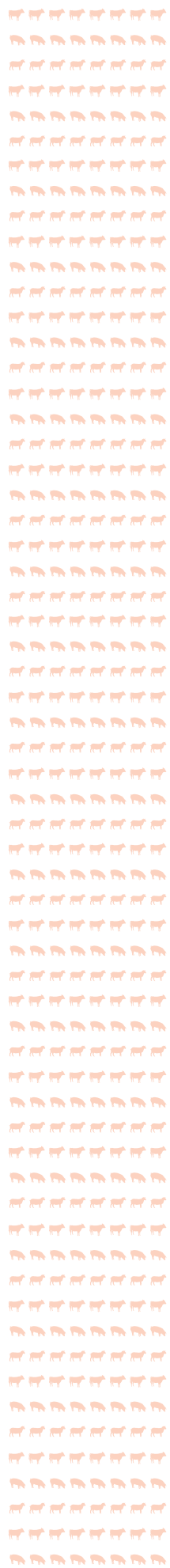
Following the publication of an Independent Review of Agricultural and Horticultural Levy Bodies undertaken by Rosemary Radcliffe on behalf of UK and Devolved Administration Ministers to look at the way levy bodies worked, Carwyn Jones AM, Minister for Environment, Planning and Countryside, announced that the Review's outputs would be subject to a 12-week Welsh consultation.

During the year the Board of Directors agreed the non-levy financed investment development of appropriate, cost-effective office accommodation - a stakeholder resource befitting an organisation driving the strategic advances of Wales' premier industry in the 21st century.

HCC continued its partnership with the Welsh Assembly Government and the Welsh Development Agency's (WDA) Agri Food Partnership to the benefit of the industry and reinforced its role as the "Knowledge House" of the red meat industry, facilitating day-to-day policy implementation through a single, informed access point.

We look forward to working with the Welsh Assembly Government (WAG) in the coming twelve months following the re-organisation and strengthening of the administration by the merger of WDA and WAG.

Since its inception, HCC has led the movement calling for the procurement of fresh, quality local meat in public sector organisations and our activities in this sector assisted in recording some good gains last year.



HCC organised a well-attended second Autumn conference at Newtown in November 2005 and will run a third Autumn conference for stakeholders during November 2006.

As an enabling organisation, we can make a great difference in the quest for competitiveness, including arguing for and attracting European funding. For instance, HCC began work on a EU Objective 1 assisted £2.2m Welsh Beef Quality Improvement Project that will help Welsh Beef farmers to meet the needs of the changing and increasingly demanding market.

This project is all about teamwork. There's only one way that the industry can evolve successfully - by working together. That's where Hybu Cig Cymru/Meat Promotion Wales can really make the difference.

In the next twelve months, everyone involved in all parts of the red meat production industry must support, encourage, assist, advise and enable Welsh farmers to maximise returns in the marketplace.

I would like to extend my thanks to Hybu Cig Cymru's Board members and staff for their valuable contributions to the organisation over the past twelve months.

Sincere thanks also to our partner organisations - the Farmer's Union of Wales, the Meat and Livestock Commission, National Farmer's Union Cymru, Welsh Development Agency, Welsh Lamb and Beef Promotions, The Welsh Livestock Auctioneers Association and The Guild of Welsh Lamb and Beef Suppliers.

Rees Roberts OBE
Chairman
Hybu Cig Cymru

Further information on the work of HCC and a list of Board members is available on the HCC website: www.hccmpw.org.uk.

MLC Statement on HCC reporting procedure

MLC has delegated functions to HCC in respect of the Welsh red meat industry. HCC is responsible for the delivery of these MLC functions and for deployment of the levies raised in Wales.

HCC is a private company that remains fully accountable through the MLC for the use of Welsh levy funds transferred to HCC and its accounts are examined for regularity and reported on by the National Audit Office.

HCC publishes its own full annual report and financial accounts that are presented together with the MLC Annual Report to the Houses of Parliament, the Welsh Assembly and the Scottish Parliament in July of each year and subsequently made public.

Copies can be requested by writing to:
Hybu Cig Cymru/Meat Promotion Wales,
PO Box 176, Aberystwyth,
Ceredigion SY23 2YA

MLC Statement on HCC reporting procedure
MLC has delegated functions to HCC in respect of the Welsh red meat industry; HCC is responsible for the delivery of these MLC functions and for deployment of the levies raised in Wales.
HCC is a private company that remains fully accountable through the MLC for the use of Welsh levy funds transferred to HCC and its accounts are examined for regularity and reported on by the National Audit Office.
HCC publishes its own full annual report and financial accounts that are presented together with the MLC Annual Report to the Houses of Parliament, the Welsh Assembly and the Scottish Parliament in July of each year and subsequently made public.
Copies can be requested by writing to:
Hybu Cig Cymru/Meat Promotion Wales,
PO Box 176, Aberystwyth,
Ceredigion SY23 2YA

Further information on the work of HCC and a list of Board members is available on the HCC website: www.hccmpw.org.uk.

Rees Roberts OBE
Chairman
Hybu Cig Cymru

Sincere thanks also to our partner organisations - the Farmer's Union of Wales, the Meat and Livestock Commission, National Farmer's Union Cymru, Welsh Development Agency, Welsh Lamb and Beef Promotions, The Welsh Livestock Auctioneers Association and The Guild of Welsh Lamb and Beef Suppliers.

I would like to extend my thanks to Hybu Cig Cymru's Board members and staff for their valuable contributions to the organisation over the past twelve months.

In the next twelve months, everyone involved in all parts of the red meat production industry must support, encourage, assist, advise and enable Welsh farmers to maximise returns in the marketplace.

This project is all about teamwork. There's only one way that the industry can evolve successfully - by working together. That's where Hybu Cig Cymru/Meat Promotion Wales can really make the difference.

As an enabling organisation, we can make a great difference in the quest for competitiveness, including arguing for and attracting European funding. For instance, HCC began work on a EU Objective 1 assisted £2.2m Welsh Beef Quality Improvement Project that will help Welsh Beef farmers to meet the needs of the changing and increasingly demanding market.

HCC organised a well-attended second Autumn conference at Newtown in November 2005 and will run a third Autumn conference for stakeholders during November 2006.



HCC Performance Against Target 2005/06

Table H.1

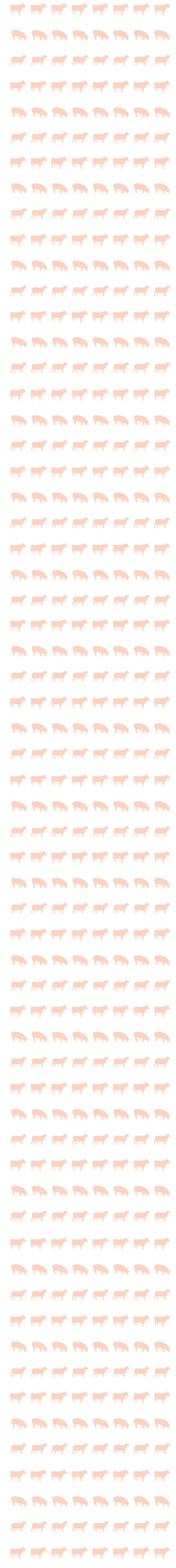
Strategy	Target	Performance
Improve the quality and cost effectiveness of Welsh red meat products		
1 – Develop research and development programme	Undertake 10 projects over next five years	Achieved. 15 projects commenced this year
2 – Set up technology transfer mechanism to discuss new developments	Regular advice to 2,250 farmers advised in the year	Achieved. 4,043 advised
3 – Develop a programme of genetic and health improvement for sheep and beef sectors	150 farms involved in improvement schemes	Achieved. 155 farms involved
4 – Develop a framework to collect information for farm to farm comparison	Reports by end of July (lamb) and September (beef)	Achieved
5 – Guardian of PGI for Welsh lamb and beef	Maintain audit exercise through abattoir visits	Achieved. All abattoirs inspected during the year
Strengthen the red meat supply chain		
1 – Introduce training schemes for farmers to understand requirements of processors	300 farmers trained on appropriate courses, ie selection for slaughter	Achieved. Over 320 farmers trained in four areas
2 – Facilitate projects to increase efficiency within supply chain	Communicate with all 27 abattoirs in Wales; communicate with stakeholders in supply chain	Achieved. All abattoirs visited. Articles published in Gwlad, sent to all registered landowners in Wales
Exploit opportunities and defend threats to beef/lamb products from Government led initiatives on diet, health and nutrition		
1 – Interpret Government policy initiatives in areas such as public sector food provision, health promotion and food labelling etc and advise industry sectors on most appropriate response	Regular reports as initiatives arise	Achieved. Articles published in Gwlad and monthly bulletin issued to the supply chain
Effective promotion of Welsh lamb products in order to maintain value and volume in target markets and sub-sectors		
1 – UK market: Consumer advertising/trade campaigns/business to business campaigns	Increasing % of consumer awareness from HCC commissioned U&A study	Achieved. Awareness up 5.1%
2 – Export: develop trade/consumer programmes for PGI Welsh lamb	Increasing trade/consumer awareness and enhance market share/value	Achieved. Exports up 7%
Effective promotion of Welsh beef products in order to maintain value and volume in target markets and sub-sectors		
1 – UK market: Consumer advertising/trade campaigns/business to business campaigns	Increasing % of consumer awareness from HCC commissioned U&A study	Achieved. Awareness of Welsh branding increased by 3%
2 – Export: develop trade/consumer programmes for PGI Welsh beef	Increasing trade/consumer awareness and enhance market share/value	Awareness achieved. Market share in value = 0 owing to DBES
Effective communication of HCC activities and industry issues		
1 – Coverage in all relevant print and media	Over 70% of outputs achieved	Achieved. 96% positive coverage of HCC activities
2 – Publications and resource materials	Provide industry with appropriate material dealing with the prevailing market conditions	Achieved. Monthly Market Bulletin issued
3 – Face to face communication	60% stakeholder awareness of activities	Achieved. Attendance at over 15 shows throughout the year
4 – Industry issues affecting supply and demand	All issues dealt with appropriately	Achieved. 134 press releases issued covering issues as they arose

Table H.1

HCC Performance Against Target 2005/06



Strategy	Target	Performance
Improve the quality and cost effectiveness of Welsh red meat products		
1 – Develop research and development programme	Undertake 10 projects over next five years	Achieved. 15 projects commenced this year
2 – Set up technology transfer mechanism to discuss new developments	Regular advice to 2,250 farmers advised in the year	Achieved. 4,043 advised
3 – Develop a programme of genetic and health improvement for sheep and beef sectors	150 farms involved in improvement schemes	Achieved. 155 farms involved
4 – Develop a framework to collect information for farm to farm comparison	Reports by end of July (lamb) and September (beef)	Achieved
5 – Guardian of PGI for Welsh lamb and beef	Maintain audit exercise through abattoir visits	Achieved. All abattoirs inspected during the year
Strengthen the red meat supply chain		
1 – Introduce training schemes for farmers to understand requirements of processors	300 farmers trained on appropriate courses, ie selection for slaughter	Achieved. Over 320 farmers trained in four areas
2 – Facilitate projects to increase efficiency within supply chain	Communicate with all 27 abattoirs in Wales; communicate with stakeholders in supply chain	Achieved. All abattoirs visited. Articles published in Gwlad, sent to all registered landowners in Wales
Exploit opportunities and defend threats to beef/lamb products from Government led initiatives on diet, health and nutrition		
1 – Interpret Government policy initiatives in areas such as public sector food provision, health promotion and food labelling etc and advise industry sectors on most appropriate response	Regular reports as initiatives arise	Achieved. Articles published in Gwlad and monthly bulletin issued to the supply chain
Effective promotion of Welsh lamb products in order to maintain value and volume in target markets and sub-sectors		
1 – UK market: Consumer advertising/trade campaigns/business to business campaigns	Increasing % of consumer awareness from HCC commissioned U&A study	Achieved. Awareness up 5.1%
2 – Export: develop trade/consumer programmes for PGI Welsh lamb	Increasing trade/consumer awareness and enhance market share/value	Achieved. Exports up 7%
Effective promotion of Welsh beef products in order to maintain value and volume in target markets and sub-sectors		
1 – UK market: Consumer advertising/trade campaigns/business to business campaigns	Increasing % of consumer awareness from HCC commissioned U&A study	Achieved. Awareness of Welsh branding increased by 3%
2 – Export: develop trade/consumer programmes for PGI Welsh beef	Increasing trade/consumer awareness and enhance market share/value	Awareness achieved. Market share in value = 0 owing to DBES
Effective communication of HCC activities and industry issues		
1 – Coverage in all relevant print and media	Over 70% of outputs achieved	Achieved. 96% positive coverage of HCC activities
2 – Publications and resource materials	Provide industry with appropriate material dealing with the prevailing market conditions	Achieved. Monthly Market Bulletin issued
3 – Face to face communication	60% stakeholder awareness of activities	Achieved. Attendance at over 15 shows throughout the year
4 – Industry issues affecting supply and demand	All issues dealt with appropriately	Achieved. 134 press releases issued covering issues as they arose



Donald Biggar
Interim Chairman, QMS

QMS CHAIRMAN'S REPORT

Everything QMS does is tested against its central remit to help improve the efficiency and profitability of the red meat industry in Scotland.

During the past twelve months the small team at QMS responsible for industry development, industry information and communication and the marketing of beef, lamb and pork from Scotland has successfully driven forward a broad range of initiatives and activities, as set out in our ambitious Business Plan.

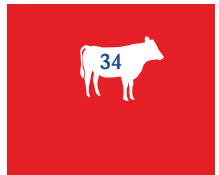
These included the publication of the Scottish industry's first ever Research and Development Report, after consultation with many Scottish stakeholders. The Report summarises a diverse range of work, ranging from the genetic development of multi-trait selection indices for long wool sheep right through to the applied Monitor Farms Programme which this year expanded to number eight enterprises across Scotland. QMS is committed to advancing research projects that can provide new information to help Scottish businesses increase efficiency and cut out costs.

Another key publication during the year was the much-acclaimed Chef's Guide to Beef and Lamb, a unique textbook aimed at trainee chefs and their college lecturers. The Guide, an encyclopaedia of everything a young chef needs to know about red meat, has been developed in response to requests from catering colleges and the hospitality industry who said that although meat dishes are the mainstay of most restaurant menus there is a severe shortage of practical textbooks to pass on the necessary facts and information to trainee chefs.

The Scottish industry and its products were showcased at a number of international trade and consumer events during the year. Working in conjunction with the International Meat Secretariat, the global meat body, QMS coordinated an International Beef Quality Conference in Edinburgh, attracting over 200 delegates from 21 countries looking to examine ways of using science and new technology to increase profitability in beef businesses. As well as keen interest in the conference from international beef companies and organisations, the event was well supported by Scottish producers and processors.

Enhancing meat-eating quality was the focus of the UK's first red meat industry documentary revealing how the science of improving meat-eating quality can be put into practice on farms and in the processing sector.

Meat Quality – Science into Practice has been produced in collaboration with the industry and is based on the results of the SEERAD-funded Meat Eating Quality project published in 2004.



QMS CHAIRMAN'S REPORT

Everything QMS does is tested against its central remit to help improve the efficiency and profitability of the red meat industry in Scotland.



Donald Biggar
Interim Chairman, QMS

During the past twelve months the small team at QMS responsible for industry development, industry information and communication and the marketing of beef, lamb and pork from Scotland has successfully driven forward a broad range of initiatives and activities, as set out in our ambitious Business Plan.

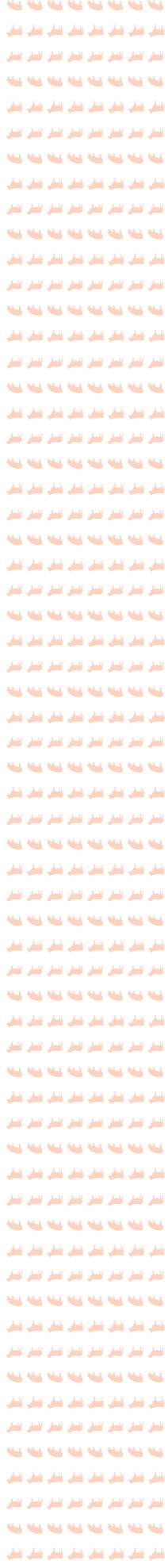
These included the publication of the Scottish industry's first ever Research and Development Report, after consultation with many Scottish stakeholders. The Report summarises a diverse range of work, ranging from the genetic development of multi-trait selection indices for long wool sheep right through to the applied Monitor Farms Programme which this year expanded to number eight enterprises across Scotland. QMS is committed to advancing research projects that can provide new information to help Scottish businesses increase efficiency and cut out costs.

Another key publication during the year was the much-acclaimed Chef's Guide to Beef and Lamb, a unique textbook aimed at trainee chefs and their college lecturers. The Guide, an encyclopaedia of everything a young chef needs to know about red meat, has been developed in response to requests from catering colleges and the hospitality industry who said that although meat dishes are the mainstay of most restaurant menus there is a severe shortage of practical textbooks to pass on the necessary facts and information to trainee chefs.

The Scottish industry and its products were showcased at a number of international trade and consumer events during the year. Working in conjunction with the International Meat Secretariat, the global meat body, QMS coordinated an International Beef Quality Conference in Edinburgh, attracting over 200 delegates from 21 countries looking to examine ways of using science and new technology to increase profitability in beef businesses. As well as keen interest in the conference from international beef companies and organisations, the event was well supported by Scottish producers and processors.

Enhancing meat-eating quality was the focus of the UK's first red meat industry documentary revealing how the science of improving meat-eating quality can be put into practice on farms and in the processing sector.

Meat Quality – Science into Practice has been produced in collaboration with the industry and is based on the results of the SEERAD-funded Meat Eating Quality project published in 2004.





QMS continues to benefit from the ready source of practical advice offered by the many individuals who sit on our advisory committees, giving freely of their time and expertise.

Links with MLC remain strong and to complement the knowledge and skills of QMS staff we purchased specialist technical information and economic data which can be utilised by Scottish businesses.

As ever, our activities are guided by the QMS Board of Directors. The Board members are drawn from all sectors of the industry and different parts of Scotland and their collective knowledge and wisdom is vital in positioning the organisation to help Scottish red meat businesses successfully tackle challenges ahead, and capitalise on all available opportunities.

Looking ahead, QMS will continue to evolve in order to supply the red meat sector in Scotland with the service, information and support it needs to meet the challenges that undoubtedly lie ahead. Although the opening of export markets rightly attracts a great deal of publicity we will not lose sight of the importance of the domestic market to Scottish businesses.

QMS's annual Business Plan which sets out activities over a twelve month period complete with targets in order to measure progress is available by logging on to the QMS website at www.qmscotland.co.uk

In accordance with the legislative changes of 2002, the full QMS Annual Report and Accounts to the year ending 31 March 2006 will be presented to the Scottish Parliament as well as being published at the QMS Annual General Meeting later this year.

**Donald Biggar OBE
Interim Chairman
Quality Meat Scotland**

Further information on the work of QMS and a list of Board members is available on the QMS website: www.qmscotland.co.uk

Donald Biggar a farmer from Castle Douglas and former QMS Board Member, was appointed to the position of Interim Chairman following the removal from office of former Chairman, Jim Walker, CBE, in October 2005.

MLC Statement on QMS reporting procedure

MLC has delegated functions to QMS in respect of the Scottish industry. QMS is responsible for the delivery of these MLC functions and for deployment of all the levies raised in Scotland. QMS is a private company that is fully accountable to the Scottish Parliament for the use of the Scottish levy. Accountability is assured through a Formal Framework Document agreed with the Scottish Executive.

QMS publishes its own full annual report and financial statements that are presented to the Scottish Parliament in October of each year and subsequently published at the QMS Annual General Meeting.

Copies can be requested by writing to:
Administration, Quality Meat Scotland
The Rural Centre, West Mains,
Ingliston, Newbridge, Midlothian EH28 8NZ

QMS continues to benefit from the ready source of practical advice offered by the many individuals who sit on our advisory committees, giving freely of their time and expertise.

Links with MLC remain strong and to complement the knowledge and skills of QMS staff we purchased specialist technical information and economic data which can be utilised by Scottish businesses.

As ever, our activities are guided by the QMS Board of Directors. The Board members are drawn from all sectors of the industry and different parts of Scotland and their collective knowledge and wisdom is vital in positioning the organisation to help Scottish red meat businesses successfully tackle challenges ahead, and capitalise on all available opportunities.

Looking ahead, QMS will continue to evolve in order to supply the red meat sector in Scotland with the service, information and support it needs to meet the challenges that undoubtedly lie ahead. Although the opening of export markets rightly attracts a great deal of publicity we will not lose sight of the importance of the domestic market to Scottish businesses.

QMS's annual Business Plan which sets out activities over a twelve month period complete with targets in order to measure progress is available by logging on to the QMS website at www.qmscotland.co.uk

In accordance with the legislative changes of 2002, the full QMS Annual Report and Accounts to the year ending 31 March 2006 will be presented to the Scottish Parliament as well as being published at the QMS Annual General Meeting later this year.

**Donald Biggar OBE
Interim Chairman
Quality Meat Scotland**

Further information on the work of QMS and a list of Board members is available on the QMS website: www.qmscotland.co.uk

Donald Biggar, a farmer from Castle Douglas and former QMS Board Member, was appointed to the position of Interim Chairman following the removal from office of former Chairman, Jim Walker, CBE, in October 2005.

MLC Statement on QMS reporting procedure

MLC has delegated functions to QMS in respect of the Scottish industry. QMS is responsible for the delivery of these MLC functions and for deployment of all the levies raised in Scotland.

QMS is a private company that is fully accountable to the Scottish Parliament for the use of the Scottish levy. Accountability is assured through a Formal Framework Document agreed with the Scottish Executive.

QMS publishes its own full annual report and financial statements that are presented to the Scottish Parliament in October of each year and subsequently published at the QMS Annual General Meeting.

Copies can be requested by writing to:
Administration, Quality Meat Scotland
The Rural Centre, West Mains,
Ingliston, Newbridge, Midlothian EH28 8NZ



QMS Performance Against Target 2004/05

Table Q.1

Priority	Target	Performance
Marketing		
To reinforce and help expand premium beef market	Scotch Beef: Maintain Scottish consumer awareness at above 50% throughout financial year as measured by question 7c of Millward Brown	Achieved
	Increase English consumer awareness by at least 5 points	Achieved
	Continue to develop consumer preferences for Scotch Beef increasing the percentage of consumers who agree with the key Millward Brown statements identified in the study	Achieved
	Increase the branded distribution of Scotch Beef in English stores primarily through initiatives targeting the serveover counters of major multiple retailers and through independent butchers. Organise in store promotions utilising Glens in at least three multiple retailers	Achieved
	Target tourists to Scotland at the airports and train stations raising awareness of Scotch Beef	Achieved
To help develop markets for non-premium beef cuts	Utilising the 'Scotch Beef Club' and the 'Scotch Beef Academy' develop a dialogue with key opinion formers in the foodservice sector and maintain and enhance their opinion of Scotch Beef with the aim of recruiting 200 fully audited members by the end of the financial year. Educate future chefs about the benefits of Scotch Beef by providing training seminars at 22 education colleges	164 members achieved
	Build food service distribution of Scotch Beef	Achieved
	Secure new branded distribution in both the retail and export markets	Achieved
To help expand lamb and pork markets	Introduce Scottish processors to key manufacturers and encourage carcase utilisation in foodservice	Achieved
	Scotch Lamb: Increase consumer awareness of Scotch Lamb as measured by Millward Brown during the month of September	Achieved
	Scotch Lamb Export: Increase branded distribution during the lamb season in France, the target is to increase from the current distribution in 3 regions to 6 regions	Achieved
To help expand lamb and pork markets	Communicate the benefits of Scotch Lamb through sampling, increasing the number of samplings to 200 (in 2003 we undertook 108)	Achieved
	Specially Selected Pork: Increase the percentage of people who are aware of Specially Selected Pork during the promotional period to 10% (currently 1-2%)	Achieved
	Contribute towards sales increases as measured by TNS to match last year's 30% promotional uplift	Achieved
	Scotch Lamb Export: Increase branded distribution during the lamb season in France, the target is to increase from the current distribution in 3 regions to 6 regions	Achieved
	Scotch Lamb: Increase consumer awareness of Scotch Lamb as measured by Millward Brown during the month of September	Achieved
Diet, Health and Education		
To improve attitudes to red meat as a part of the balanced diet in chosen target sectors	Establish regular communication with 50% of Scottish schools providing them with positive information on red meat Establish regular contact with home economics teachers to develop a clearer understanding of the curriculum	Achieved (via SQA)
To establish QMS as a reputable and known source of information and advice with target audiences	Increase network generated by School Cook Competition and raise profile of QMS To actively work with sporting organisations to promote 'Performance +'. As part of this programme 2 meat demonstrations will be held before the end of 2004 Include simple healthy messages on all point of sale (eg iron rich/low fat etc) Develop 'Health and Education' section on QMS web site	Achieved
Butchers		
To help independent businesses through training, advice and support for the promotion of Scottish produce	<ul style="list-style-type: none"> Feedback questionnaire at training sessions Enquiries from school after career days Increased number of entrants for 'Make It with Meat'; 'Young Butcher of Year' etc Increased membership of Scotch Butchers Club and membership questionnaire Increased volume of SBC promotional material requested 	Achieved

Priority	Target	Performance
Marketing		
To reinforce and help expand premium beef market	Scotch Beef: Maintain Scottish consumer awareness at above 50% throughout financial year as measured by question 7c of Millward Brown	Achieved
To help expand lamb and pork markets	Increase English consumer awareness by at least 5 points	Achieved
	Continue to develop consumer preferences for Scotch Beef increasing the percentage of consumers who agree with the key Millward Brown statements identified in the study	Achieved
	Increase the branded distribution of Scotch Beef in English stores primarily through initiatives targeting the serveover counters of major multiple retailers and through independent butchers. Organise in store promotions utilising Glens in at least three multiple retailers	Achieved
	Target tourists to Scotland at the airports and train stations raising awareness of Scotch Beef	Achieved
	Utilising the 'Scotch Beef Club' and the 'Scotch Beef Academy' develop a dialogue with key opinion formers in the foodservice sector and maintain and enhance their opinion of Scotch Beef with the aim of recruiting 200 fully audited members by the end of the financial year. Educate future chefs about the benefits of Scotch Beef by providing training seminars at 22 education colleges	164 members achieved
To help develop markets for non-premium beef cuts	Build food service distribution of Scotch Beef	Achieved
	Secure new branded distribution in both the retail and export markets	Achieved
	Introduce Scottish processors to key manufacturers and encourage carcase utilisation in foodservice	Achieved
To help expand lamb and pork markets	Scotch Lamb: Increase consumer awareness of Scotch Lamb as measured by Millward Brown during the month of September	Achieved
	Scotch Lamb Export: Increase branded distribution during the lamb season in France, the target is to increase from the current distribution in 3 regions to 6 regions	Achieved
	Communicate the benefits of Scotch Lamb through sampling, increasing the number of samplings to 200 (in 2003 we undertook 108)	Achieved
	Specially Selected Pork: Increase the percentage of people who are aware of Specially Selected Pork during the promotional period to 10% (currently 1-2%)	Achieved
	Contribute towards sales increases as measured by TNS to match last year's 30% promotional uplift	Achieved
Diet, Health and Education		
To improve attitudes to red meat as a part of the balanced diet in chosen target sectors	Establish regular communication with 50% of Scottish schools providing them with positive information on red meat Establish regular contact with home economics teachers to develop a clearer understanding of the curriculum	Achieved (via SQA)
To establish QMS as a reputable and known source of information and advice with target audiences	Increase network generated by School Cook Competition and raise profile of QMS To actively work with sporting organisations to promote 'Performance +'. As part of this programme 2 meat demonstrations will be held before the end of 2004 Include simple healthy messages on all point of sale (eg iron rich/low fat etc) Develop 'Health and Education' section on QMS web site	Achieved
Butchers		
To help independent businesses through training, advice and support for the promotion of Scottish produce	<ul style="list-style-type: none"> Feedback questionnaire at training sessions Enquiries from school after career days Increased number of entrants for 'Make It with Meat'; 'Young Butcher of Year' etc Increased membership of Scotch Butchers Club and membership questionnaire Increased volume of SBC promotional material requested 	Achieved

Table Q.1

QMS Performance Against Target 2004/05



Priority	Target	Performance
Achieved	Adherence to the QMS Procurement policy will be monitored and checks carried out	To ensure value for money is key consideration in all procurement decisions
Achieved	Adherence to European procurement regulations when obtaining tenders for contracts	Completion of and adherence to Framework Agreement with SEERAD
Achieved	Finalise Framework Agreement and ensure procedures in place for adherence	To monitor and control administration overhead costs
Achieved	These will be benchmarked against other comparable levy organisations.	To monitor and control administration overhead costs
Achieved	Implementation of new networked and integrated Purchase Order and Management Accounting System (MAS)	Ensure accurate and continuous financial information being available to all staff, to enable informed budget decisions
Achieved	Following delegation of functions from MLC, obtain Inland Revenue exemption from Corporation Tax on levy surpluses	Tax treatment of levy fund surpluses
Achieved	Continue internal monthly reporting put in place, involving SFQC, MLC and SEERAD, to allow forecasting of income and expenditure	To maintain procedures and systems that ensure proper financial and audit controls
Administration		
Achieved	Successful implementation of IT checking system	Increase auditing of product traceability, ensure smooth transition to new PGI, including increased awareness
Achieved	500 labelling inspections carried out in restaurants and retailers throughout UK	To provide an annual assessment of the red meat industry in Scotland and elsewhere
Achieved	Five new members of QMS processor Assurance scheme	To review existing standards and working of SSBs to ensure all standards are simple and clear, avoiding unnecessary duplication
Achieved	Standards that issue in November/December should attract support from bulk of industry, while meeting market needs	To review existing standards and working of SSBs to ensure all standards are simple and clear, avoiding unnecessary duplication
Assurance		
Achieved	All eligible processing plants submit IPPC applications to SEPA on time	To assist the industry understand and comply with new legislation
Achieved	Commission 6 new research projects	To commission research projects that meet the needs of the industry
Achieved	Complete at least 6 training sessions to explain Estimated Breeding Values to farmers	To promote the uptake of performance recorded stock amongst commercial producers
Achieved	Put in place tiered approach to health schemes in Scotland to allow access to best health practice, with active support of SABRI's, vet profession, processors, government, farmer bodies	To assist uptake of performance recorded stock amongst commercial producers
Achieved	Five monitor farms to be operating effectively	To identify and successfully disseminate new/under utilised R&D to the industry, reducing costs and/or improving performance
Industry Development		
Achieved	Annual survey of processing sector in conjunction with SAMW	To improve the relevance and dissemination of the business information made available to the industry, with particular reference to current market and policy issues
Achieved	Annual industry and market factsheet and international overview	To provide an annual assessment of the red meat industry in Scotland and elsewhere
Achieved	Monthly market commentaries	To review existing standards and working of SSBs to ensure all standards are simple and clear, avoiding unnecessary duplication
Achieved	6 monthly industry review	To review existing standards and working of SSBs to ensure all standards are simple and clear, avoiding unnecessary duplication
Achieved	6 monthly R&D tech review	To review existing standards and working of SSBs to ensure all standards are simple and clear, avoiding unnecessary duplication
Achieved	6 monthly industry newsletter	To review existing standards and working of SSBs to ensure all standards are simple and clear, avoiding unnecessary duplication
Achieved	Annual report on enterprise costs	To review existing standards and working of SSBs to ensure all standards are simple and clear, avoiding unnecessary duplication
Achieved	Establish industry advisory panel to provide feedback on industry needs met through regular reports	To improve the relevance and dissemination of the business information made available to the industry, with particular reference to current market and policy issues
Achieved	Sample feedback from representative groups to monitor awareness and understanding of QMS activities	To ensure effective communication with stakeholders of what QMS is doing
Achieved	Use a range of communication tools to maintain a steady stream of information to stakeholders of what QMS is doing	To ensure effective communication with stakeholders of what QMS is doing
Achieved	Measure number of approaches to QMS by these sectors and new opportunities gained	To enhance positive attitudes towards the red meat chain amongst consumer, political and business audiences
Achieved	Sample opinion from groups representing consumer, political and business audiences to assess impact of QMS activities and messages	To enhance positive attitudes towards the red meat chain amongst consumer, political and business audiences
Information and Communication		
Achieved	Adherence to the QMS Procurement policy will be monitored and checks carried out	To ensure value for money is key consideration in all procurement decisions
Achieved	Adherence to European procurement regulations when obtaining tenders for contracts	Completion of and adherence to Framework Agreement with SEERAD
Achieved	Finalise Framework Agreement and ensure procedures in place for adherence	To monitor and control administration overhead costs
Achieved	These will be benchmarked against other comparable levy organisations.	To monitor and control administration overhead costs
Achieved	Implementation of new networked and integrated Purchase Order and Management Accounting System (MAS)	Ensure accurate and continuous financial information being available to all staff, to enable informed budget decisions
Achieved	Following delegation of functions from MLC, obtain Inland Revenue exemption from Corporation Tax on levy surpluses	Tax treatment of levy fund surpluses
Achieved	Continue internal monthly reporting put in place, involving SFQC, MLC and SEERAD, to allow forecasting of income and expenditure	To maintain procedures and systems that ensure proper financial and audit controls
Information and Communication		

Table Q.2

QMS Performance Against Target 2004/05

QMS Performance Against Target 2004/05

Table Q.2

Priority	Target	Performance
Information and Communication		
To enhance positive attitudes towards the red meat chain amongst consumer, political and business audiences	Sample opinion from groups representing consumer, political and business audiences to assess impact of QMS activities and messages	Achieved
	Measure number of approaches to QMS by these sectors and new opportunities gained	
To ensure effective communication with stakeholders of what QMS is doing	Use a range of communication tools to maintain a steady stream of information to stakeholders about QMS activities which enhance industry performance. Sample feedback from representative groups to monitor awareness and understanding of QMS activities	Achieved
To improve the relevance and dissemination of the business information made available to the industry, with particular reference to current market and policy issues	Establish industry advisory panel to provide feedback on industry needs met through regular reports	Achieved
To provide an annual assessment of the red meat industry in Scotland and elsewhere	<ul style="list-style-type: none"> Monthly market commentaries 6 monthly industry review 6 monthly R&D tech review 6 monthly industry newsletter annual report on enterprise costs Annual industry and market factsheet and international overview Annual survey of processing sector in conjunction with SAMW	Achieved
Industry Development		
To identify and successfully disseminate new/under utilised R&D to the industry, reducing costs and/or improving performance	Achieve technology transfer of 6 topics covering 3 species; also farmers and processors	Achieved
	Five monitor farms to be operating effectively	
To assist uptake of developments that improve the health of stock	Put in place tiered approach to health schemes in Scotland to allow access to best health practice, with active support of SABRI's, vet profession, processors, government, farmer bodies	Achieved
To promote the uptake of performance recorded stock amongst commercial producers	Complete at least 6 training sessions to explain Estimated Breeding Values to farmers	Achieved
To commission research projects that meet the needs of the industry	Commission 6 new research projects	Achieved
To assist the industry understand and comply with new legislation	All eligible processing plants submit IPPC applications to SEPA on time	Achieved
Assurance		
To review existing standards and working of SSBs to ensure all standards are simple and clear, avoiding unnecessary duplication	Standards that issue in November/December should attract support from bulk of industry, while meeting market needs	Achieved
	Five new members of QMS processor Assurance scheme	
Increase auditing of product traceability, ensure smooth transition to new PGI, including increased awareness	500 labelling inspections carried out in restaurants and retailers throughout UK	Achieved
	Successful implementation of IT checking system	
Administration		
To maintain procedures and systems that ensure proper financial and audit controls	Continue internal monthly reporting put in place, involving SFQC, MLC and SEERAD, to allow forecasting of income and expenditure	Achieved
Tax treatment of levy fund surpluses	Following delegation of functions from MLC, obtain Inland Revenue exemption from Corporation Tax on levy surpluses	Achieved
Ensure accurate and continuous financial information being available to all staff, to enable informed budget decisions	Implementation of new networked and integrated Purchase Order and Management Accounting System (MAS)	Achieved
To monitor and control administration overhead costs	These will be benchmarked against other comparable levy organisations. Finalise Framework Agreement and ensure procedures in place for adherence	Achieved
Completion of and adherence to Framework Agreement with SEERAD	Adherence to European procurement regulations when obtaining tenders for contracts	Achieved
To ensure value for money is key consideration in all procurement decisions	Adherence to the QMS Procurement policy will be monitored and checks carried out	Achieved



MLC COMMERCIAL SERVICES REPORT

MLC Commercial Services operation provides advice, logistics and inspection services to the meat and livestock industry on a commercial basis. It is managed separately within MLC. All costs are fully accounted for within the division and any profits are returned to the MLC for the benefit of the industry.

Performance against target

Commercial Services operates to an annual financial target. For 2005/06 this was to contribute £352,000 (post tax) to supplement MLC's levy income. Actual out-turn provided a contribution of £494,000.

Authentication Services

MLC Authentication Services provides independent carcase classification services to meat plants in Britain along with related training and other services.

The year was characterised by a growing awareness within the industry of technical issues surrounding dressing specifications and carcase weighing and their impact on producer returns and price transparency. Management and staff provided information to Defra, RPA, industry representative bodies and individual producers to assist discussions on these matters.

Carcases classified by the team as a percentage of British slaughtering continued the upward trend for cattle and pigs but declined for sheep, mainly as the result of a fire which destroyed a large throughput sheep plant in England together with the closure of a busy sheep plant in Scotland. Two other customers' businesses closed, one a multi species in the North East, the other a pig plant in the South East. Conversely, two beef abattoirs joined the customer list later in the year.

Carcases classified by MLC Authentication Services as percentage of British slaughtering

	2004/05	2005/06*
Cattle	55.8%	58.9%
Sheep	47.6%	40.9%
Pigs	62.1%	62.1%

*Provisional

Authentication Services continued to monitor closely progress on the potential contribution of objective classification systems (Video Image Analysis (VIA) machines) to the beef and sheep industry. A planned beef VIA trial was delayed by the failure of the industry to reach agreement over which dressing specification to use.

The results of a sheep VIA trial will be published by the MLC federal bodies in Summer 2006. The trial of the Autofom pig system continued through its commercial data development stage.

Service provision and support to the EBLEX Better Returns Programme for sheep continued to be a prominent feature throughout the year. Training events were delivered at abattoirs and auction markets with 188 man days deployed, covering over 110 events. A further auction sheep sorting trial was managed within the programme.

Activity in Wales for Hybu Cig Cymru continued with a busy programme of both sheep and cattle selection for slaughter training days. Recruitment and organisation for each event was also carried out by authentication staff with around 50 events covered, plus a number of shows.

There was continued development of data capture and associated equipment as industry responded to changing requirements with the end of the OTM rule. Legislative adjustments also drove revisions to carcase labelling and systems and label specifications were developed to meet industry needs. Development of the Stun Assurance Monitor was also completed and the equipment package marketed to the industry.

The dedicated Authentication Services web site, www.mlclassification.org.uk, continued to provide technical leaflets and information on classification matters as well as the Directory of Carcase Services Users as a reference for producers when marketing finished stock.

Agency Services

Agency Services supplied its main customer, the Rural Payments Agency (RPA), with a technical staffing resource, primarily operating within the Over-Thirty Months Scheme (OTMS) and later in the year, the Older Cattle Disposal Scheme (OCDS) as well as TSE Schemes in the area of control, inspection and supervision. An average of 150 staff were deployed across some 46 sites throughout Britain.

The year was dominated by the expectation that the OTM rule would change and the OTMS would be replaced. This occurred on 23 January 2006, with the OCDS replacing the OTMS at that time. As a result of these changes there was a reduction in disposal activity, the Agency Services work declined and staffing requirements were reassessed. This resulted in a redundancy exercise with the loss of 27 posts towards the year-end.

The year was dominated by the expectation that the OTM rule would change and the OTMS would be replaced. This occurred on 23 January 2006, with the OCDS replacing the OTMS at that time. As a result of these changes there was a reduction in disposal activity, the Agency Services work declined and staffing requirements were reassessed. This resulted in a redundancy exercise with the loss of 27 posts towards the year-end.

Agency Services supplied its main customer, the Rural Payments Agency (RPA), with a technical staffing resource, primarily operating within the Over-Thirty Months Scheme (OTMS) and later in the year, the Older Cattle Disposal Scheme (OCDS) as well as TSE Schemes in the area of control, inspection and supervision. An average of 150 staff were deployed across some 46 sites throughout Britain.

Agency Services

The dedicated Authentication Services web site, www.mlclassification.org.uk, continued to provide technical leaflets and information on classification matters as well as the Directory of Carcase Services Users as a reference for producers when marketing finished stock.

There was continued development of data capture and associated equipment as industry responded to changing requirements with the end of the OTM rule. Legislative adjustments also drove revisions to carcase labelling and systems and label specifications were developed to meet industry needs. Development of the Stun Assurance Monitor was also completed and the equipment package marketed to the industry.

Activity in Wales for Hybu Cig Cymru continued with a busy programme of both sheep and cattle selection for slaughter training days. Recruitment and organisation for each event was also carried out by authentication staff with around 50 events covered, plus a number of shows.

Service provision and support to the EBLEX Better Returns Programme for sheep continued to be a prominent feature throughout the year. Training events were delivered at abattoirs and auction markets with 188 man days deployed, covering over 110 events. A further auction sheep sorting trial was managed within the programme.

The results of a sheep VIA trial will be published by the MLC federal bodies in Summer 2006. The trial of the Autofom pig system continued through its commercial data development stage.

MLC COMMERCIAL SERVICES REPORT

	2004/05	2005/06*
Cattle	55.8%	58.9%
Sheep	47.6%	40.9%
Pigs	62.1%	62.1%

Carcases classified by MLC Authentication Services as percentage of British slaughtering

Carcases classified by the team as a percentage of British slaughtering continued the upward trend for cattle and pigs but declined for sheep, mainly as the result of a fire which destroyed a large throughput sheep plant in England together with the closure of a busy sheep plant in Scotland. Two other customers' businesses closed, one a multi species in the North East, the other a pig plant in the South East. Conversely, two beef abattoirs joined the customer list later in the year.

MLC Authentication Services provides independent carcase classification services to meat plants in Britain along with related training and other services.

Authentication Services

Commercial Services operates to an annual financial target. For 2005/06 this was to contribute £352,000 (post tax) to supplement MLC's levy income. Actual out-turn provided a contribution of £494,000.

Performance against target

MLC Commercial Services operation provides advice, logistics and inspection services to the meat and livestock industry on a commercial basis. It is managed separately within MLC. All costs are fully accounted for within the division and any profits are returned to the MLC for the benefit of the industry.



The industry Consulting team continued to use its resources and those marshalled from other departments of the MLC, to provide specific project-based consultancy services to individual companies, producers, and local and national organisations.

During the year over 100 new flocks joined the Sheepbreeder service, following strong support from the terminal sire Breed Societies and their members. This represented a major increase in membership.

The year was characterised by a great deal of work carried out on behalf of government bodies, reflecting the many changes that the industry has coped with over the year, from CAP reform to the new hygiene and waste disposal directives. Examples of project work included:

- OTM rule change – trial work with regard to BSE testing, carcase handling and developing the Required Methods of Operation (RMOP), under the arrangements that were put in place to end the OTM rule. The team also helped deliver the EBLEX information (RMOP), under the arrangements that were put in place to end the OTM rule. The team also helped deliver the EBLEX information Workshops on the subject in early September 2005.
- Database – creation and maintenance of an internet-based database of British abattoirs and cutting plants (funded by Defra, FSA and EBLEX). Various maps were also prepared for Defra and FSA showing plant locations on a regional and local basis, in order to trace the potential impact of the new 2006 Hygiene Regulations.
- Structural Best Practice Manuals – prepared for the FSA, to cover abattoirs, meat cutting and processing plants; designed for veterinary adviser to refer plants to.
- Sheep Marketing – a study was carried out on behalf of the Defra Exotic Diseases Team, to assess the impact of the 2004 Animal Gatherings Order on livestock markets that have large seasonal sales of breeding sheep, that currently require special licences. Resulted in Defra changing the Order to allow such sales to continue.
- Economic Analysis Of The Changes In Specified Risk Material (SRM) Controls – an economic impact analysis was carried out for the FSA to consider the effect on the industry of various ways of coping with the requirement for vertebral column (VC) from cattle aged 24 to 30 months at slaughter (classified as SRM) and other approved premises being allowed to carry this out and preserved the bone in beef supply chain.
- Review of abattoirs and capacity in the North East – a study carried out for the Rural Development Agency in the area.

Industry Consulting (IC)

With the return of OTM cattle to the food chain, the surveillance of controls on hides was extended and Defra asked Agency Services to add the inspection of OTM food chain hides at hide markets to its remit.

Other activity was focused on the surveillance of brain stem sampling of fallen Stock and the disposal of sheep from the National Scrapie Eradication Scheme (NSES) with around 70 staff deployed across 22 Sites.

Using the field experience from involvement at disposal sites, Agency Services conducted surveys of compliance with cattle identification requirements and the compliance with NSES destruction procedures and submitted reports to the regulatory bodies.

A small commercial contract with a meat and bone meal (MBM) disposal company, supervising the destruction of MBM continued, as did meat product inspections for some NHS Hospital supplies for HCC in Wales.

Economics

Economics produces a wide range of market information covering the meat and livestock industry in both Britain and abroad. There are regular and one-off publications, and information services which can be accessed by fax, email or telephone.

Economics continued to expand the price information available to customers. Prices for livestock sold through auction markets can now be identified as either farm assured or non-farm assured. Also, with the ending of the OTM rule for cattle and the return of cows to the market, prices of cull cows were made available on a regular basis. Work is proceeding with each of the MLC federal bodies to make this information accessible to the industry through the EBLEX, HCC and QMS websites.

Price reporting to government expanded with the provision of prices for store, rearing and breeding cattle and sheep available to the Scottish Executive.

An SMS text messaging service was launched. This provides immediate updates of auction market prices; subscribers can select the individual markets whose prices they wish to be sent on, alternatively, they can receive regional or national averages.

A new monthly publication for the pig industry was developed, entitled Pig Market Trends. This replaced the previous Pig Market Outlook, which had been available on a quarterly basis. Pig Market Trends provides a regular update of the situation on the UK market, developments on the European and world markets, contributions from industry experts on technical aspects of production, quarterly pig meat supply forecasts and Agrosoft stock valuations, physical and financial performance data.

Food Training International (FTI)

From 1 June 2005, the two staff that worked in the Food Training International business (FTI) were seconded to the Meat Training Council (MTC). The former FTI expertise was used to enhance MTC training services to the meat and livestock industry, particularly in the area of Hazard Analysis and Critical Control Point (HACCP) training. The staff remained MLC employees with all their employment costs being met by MTC.

With the return of OTM cattle to the food chain, the surveillance of controls on hides was extended and Defra asked Agency Services to add the inspection of OTM food chain hides at hide markets to its remit.

Other activity was focused on the surveillance of brain stem sampling of Fallen Stock and the disposal of sheep from the National Scrapie Eradication Scheme (NSES) with around 70 staff deployed across 22 Sites.

Using the field experience from involvement at disposal sites, Agency Services conducted surveys of compliance with cattle identification requirements and the compliance with NSES destruction procedures and submitted reports to the regulatory bodies.

A small commercial contract with a meat and bone meal (MBM) disposal company, supervising the destruction of MBM continued, as did meat product inspections for some NHS Hospital supplies for HCC in Wales.

Economics

Economics produces a wide range of market information covering the meat and livestock industry in both Britain and abroad. There are regular and one-off publications, and information services which can be accessed by fax, email or telephone.

Economics continued to expand the price information available to customers. Prices for livestock sold through auction markets can now be identified as either farm assured or non-farm assured. Also, with the ending of the OTM rule for cattle and the return of cows to the market, prices of cull cows were made available on a regular basis. Work is proceeding with each of the MLC federal bodies to make this information accessible to the industry through the EBLEX, HCC and QMS websites.

Price reporting to government expanded with the provision of prices for store, rearing and breeding cattle and sheep available to the Scottish Executive.

An SMS text messaging service was launched. This provides immediate updates of auction market prices; subscribers can select the individual markets whose prices they wish to be sent on, alternatively, they can receive regional or national averages.

A new monthly publication for the pig industry was developed, entitled Pig Market Trends. This replaced the previous Pig Market Outlook, which had been available on a quarterly basis. Pig Market Trends provides a regular update of the situation on the UK market, developments on the European and world markets, contributions from industry experts on technical aspects of production, quarterly pig meat supply forecasts and Agrosoft stock valuations, physical and financial performance data.

Food Training International (FTI)

From 1 June 2005, the two staff that worked in the Food Training International business (FTI) were seconded to the Meat Training Council (MTC). The former FTI expertise was used to enhance MTC training services to the meat and livestock industry, particularly in the area of Hazard Analysis and Critical Control Point (HACCP) training. The staff remained MLC employees with all their employment costs being met by MTC.

Industry Consulting (IC)

The Industry Consulting team continued to use its resources and those marshalled from other departments of the MLC, to provide specific project-based consultancy services to individual companies, producers, and local and national organisations.

During the year over 100 new flocks joined the Sheepbreeder service, following strong support from the terminal sire Breed Societies and their members. This represented a major increase in membership.

The year was characterised by a great deal of work carried out on behalf of government bodies, reflecting the many changes that the industry has coped with over the year, from CAP reform to the new hygiene and waste disposal directives. Examples of project work included:

- OTM rule change – trial work with regard to BSE testing, carcase handling and developing the Required Methods of Operation (RMOP), under the arrangements that were put in place to end the OTM rule. The team also helped deliver the EBLEX Information Workshops on the subject in early September 2005.
- Database – creation and maintenance of an internet-based database of British abattoirs and cutting plants (funded by Defra, FSA and EBLEX). Various maps were also prepared for Defra and FSA showing plant locations on a regional and local basis, in order to trace the potential impact of the new 2006 Hygiene Regulations.
- Structural Best Practice Manuals – prepared for the FSA, to cover abattoirs, meat cutting and processing plants; designed for veterinary adviser to refer plants to.
- Sheep Marketing – a study was carried out on behalf of the Defra Exotic Diseases Team, to assess the impact of the 2004 Animal Gatherings Order on livestock markets that have large seasonal sales of breeding sheep, that currently require special licences. Resulted in Defra changing the Order to allow such sales to continue.
- Economic Analysis Of The Changes In Specified Risk Material (SRM) Controls – an economic impact analysis was carried out for the FSA to consider the effect on the industry of various ways of coping with the requirement for vertebral column (VC) from cattle aged 24 to 30 months at slaughter (classified as SRM) to be removed before sale to the public. Resulted in butchers and other approved premises being allowed to carry this out and preserved the bone in beef supply chain.
- Review of abattoirs and capacity in the North East – a study carried out for the Rural Development Agency in the area.

MLC Signet Breeding Services

Signet is responsible for delivering breeding evaluations to UK pedigree beef and sheep producers, highlighting breeding stock that will enhance the efficiency of beef and lamb production and improve carcase quality.

During the year over 100 new flocks joined the Sheepbreeder service, following strong support from the terminal sire Breed Societies and their members. This represented a major increase in membership.



European Food Safety Inspection Service (EFSIS)

During the reporting period the EFSIS food inspection and certification business was sold to Australian company SAI Global in a deal worth £2.92m to the MLC.

Formed in January 1999, EFSIS was owned 60% by the Meat and Livestock Commission and 40% by the Camden and Chorleywood Food Research Association (CCFRA). It is a global inspection and certification company, providing manufacturers, retailers, farmers and caterers with the expertise to ensure the highest standards are maintained within the food and drink industry.

The staff of around 100 people continued to be employed by EFSIS under the new ownership of SAI Global and its UK headquarters remained at Winterhill House in Milton Keynes.

Beefbreeder membership also grew during the year, with the proportion of Limousin and Charolais herds recording with Signet reaching an all time high.

Signet has invested over £100,000 in a new database which is being built by three of the major Breed Societies in the UK, representing Limousin cattle and Suffolk and Texel sheep. Access to this database will enhance Signet's working relationship with Breed Societies and add value to the services provided to all Signet clients.

Signet held a pivotal role in the delivery of breeding messages within the Defra-funded EBLEX Better Returns Programme. Over 90 per cent of Signet's English ram breeding clients felt that commercial interest in EBVs had increased as a result of this project, with two-thirds indicating this had led to enhanced sales of breeding stock.

Signet continued to service major hill sheep breeding projects in Wales and Scotland, advising HCC and QMS on ways to increase the impact of this technology within their respective sectors of the sheep industry.

In January Signet was asked to manage and deliver the Welsh Beef Quality Improvement Project. The project is jointly funded by HCC and the Welsh Assembly and aims to provide training to beef producers on subjects relating to breeding, environmental best practice and the importance of health planning. A complete, bilingual training package has been developed and the feedback received to date has been extremely positive.

Technical support is provided to industry-based research, with Signet specialists sitting on the steering groups of several research projects, including the high-low breeding trial, longwool breeding project, marker assisted selection project (MASACS) and the NSP research project.

Winterhill Conference Centre (WCC)

Despite operating in a highly competitive market, this year has seen WCC secure conference centre business from a number of new clients, providing a significant amount of additional business, and boosting the centre's income beyond expected targets. Potential bookings for 2006 are also currently looking positive.

Since obtaining the civil wedding licence last year, WCC hosted a number of weddings in addition to receptions over the summer. Whilst this area is a periphery business activity, it maximises room utilisation and income at times outside of the normal core conference hours. A recent local radio advertising campaign has led to a number of weddings enquiries and bookings for summer 2006.



European Food Safety Inspection Service (EFSIS)

During the reporting period the EFSIS food inspection and certification business was sold to Australian company SAI Global in a deal worth £2.92m to the MLC.

Formed in January 1999, EFSIS was owned 60% by the Meat and Livestock Commission and 40% by the Camden and Chorleywood Food Research Association (CCFRA). It is a global inspection and certification company, providing manufacturers, retailers, farmers and caterers with the expertise to ensure the highest standards are maintained within the food and drink industry.

The staff of around 100 people continued to be employed by EFSIS under the new ownership of SAI Global and its UK headquarters remained at Winterhill House in Milton Keynes.

Beefbreeder membership also grew during the year, with the proportion of Limousin and Charolais herds recording with Signet reaching an all time high.

Signet has invested over £100,000 in a new database which is being built by three of the major Breed Societies in the UK, representing Limousin cattle and Suffolk and Texel sheep. Access to this database will enhance Signet's working relationship with Breed Societies and add value to the services provided to all Signet clients.

The team completed the delivery of a Defra-funded, Agricultural Development Scheme Grant project to integrate improved sheep genetics into the lamb supply chain. This showed that producers could enhance the profitability of their flock by up to £3/lamb through the use of sires with superior breeding merit – a message widely disseminated to the industry during early 2006.

Signet held a pivotal role in the delivery of breeding messages within the Defra-funded EBLEX Better Returns Programme. Over 90 per cent of Signet's English ram breeding clients felt that commercial interest in EBVs had increased as a result of this project, with two-thirds indicating this had led to enhanced sales of breeding stock.

Signet continued to service major hill sheep breeding projects in Wales and Scotland, advising HCC and QMS on ways to increase the impact of this technology within their respective sectors of the sheep industry.

In January Signet was asked to manage and deliver the Welsh Beef Quality Improvement Project. The project is jointly funded by HCC and the Welsh Assembly and aims to provide training to beef producers on subjects relating to breeding, environmental best practice and the importance of health planning. A complete, bilingual training package has been developed and the feedback received to date has been extremely positive.

Technical support is provided to industry-based research, with Signet specialists sitting on the steering groups of several research projects, including the high-low breeding trial, longwool breeding project, marker assisted selection project (MASACS) and the NSP research project.

Winterhill Conference Centre (WCC)

Despite operating in a highly competitive market, this year has seen WCC secure conference centre business from a number of new clients, providing a significant amount of additional business, and boosting the centre's income beyond expected targets. Potential bookings for 2006 are also currently looking positive.

Since obtaining the civil wedding licence last year, WCC hosted a number of weddings in addition to receptions over the summer. Whilst this area is a periphery business activity, it maximises room utilisation and income at times outside of the normal core conference hours. A recent local radio advertising campaign has led to a number of weddings enquiries and bookings for summer 2006.



DIRECTORS' REMUNERATION REPORT

Introduction

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 that introduced new statutory requirements for the disclosure of directors' remuneration in respect of periods ending on or after 31 December 2002. The report also describes how the Board of Commissioners has applied the Principles of Good Governance relating to directors' remuneration.

Unaudited information

Remuneration Committee

MLC has established a Remuneration Committee, which is constituted in accordance with the recommendations of the Combined Code. The members of the Committee are all Commissioners and are Mr Kirk, Mr Barr, Mr Cracknell, Mr Cross, Ms Browning (stepped down 30 March 2006) and Mr Houston (joined 30 March 2006). The Committee is chaired by Mr Kirk.

None of the Committee has any personal financial interest (other than as shareholders of levy paying organisations), conflicts of interests arising from cross-directorships or day-to-day involvement in running the business. The Committee makes recommendations to the Board of Commissioners. No director plays a part in any discussion about his own remuneration.

In determining the directors' remuneration for the year, the Committee consulted Mr Roberts (Director General) and Mrs Garvey (Company Secretary) about its proposals.

Remuneration policy

Executive remuneration packages are prudently designed to attract, motivate and retain directors of the high calibre needed to manage MLC. The performance measurement of the executive directors and the determination of their annual remuneration package are undertaken by the Committee. The remuneration of the non-executive directors is determined by Defra.

There are three main elements of the remuneration package for executive directors and senior management:

- Basic annual salary (including directors' fees) and benefits;
- One off bonus payments when considered appropriate; and
- Pension arrangements.

MLC's policy is that a substantial proportion of the remuneration of the directors should be performance related.

Basic salary

An executive director's basic salary is determined by the Committee prior to the beginning of each year and when an individual changes position or responsibility. In deciding appropriate levels, the Committee considers the internal and external job market. Basic salaries were reviewed in May 2005 with increases taking effect from 1 April 2005. There was an additional meeting during the year to consider Mr Roberts' pension arrangements.

In addition to basic salary, the executive directors receive certain benefits-in-kind, principally a car or car allowance and private medical insurance.

Annual bonus payments

The Committee considers the appropriateness of paying a cash bonus where performance merits it. The Committee believes that any incentive compensation awarded should be tied to MLC's interests and the extent to which the strategic objectives have been met.

Pension arrangements

Executive directors are members of the company pension scheme. Their dependants are eligible for dependants' pensions and the payment of a lump sum in the event of death in service. Mr Roberts and Mr Lowe are members of the MLC's Defined Benefit Section of the MLC Pension Scheme and Mr Wilson is a member of the Defined Contribution Section.

Directors' contracts

It is the company's policy that executive directors should have contracts with an indefinite term providing for a maximum of one year's notice. Mr Roberts and Mr Lowe have one year's notice period. Mr Wilson's notice period is six months.

Members of the Commission

All Commissioners have specific terms of engagement and their remuneration is determined by Defra. The basic fee paid to each non-executive director in the year is set out in Note 13 to the Accounts. The Commissioners receive further fees for additional work performed for MLC.

Audited information

Directors' detailed emoluments and pension entitlement can be found in Note 13 to the Accounts.

Approval

This report was approved by the Board of Commissioners on 25 May 2006 and signed on its behalf by:

Peter Barr, CBE
Chairman
Meat and Livestock Commission

DIRECTORS' REMUNERATION REPORT

In addition to basic salary, the executive directors receive certain benefits-in-kind, principally a car or car allowance and private medical insurance.

This report has been prepared in accordance with the Directors' Remuneration Report Regulations 2002 that introduced new statutory requirements for the disclosure of directors' remuneration in respect of periods ending on or after 31 December 2002. The report also describes how the Board of Commissioners has applied the Principles of Good Governance relating to directors' remuneration.

any incentive compensation awarded should be tied to MLC's interests and the extent to which the strategic objectives have been met.

Executive directors are members of the company pension scheme. Their dependants are eligible for dependants' pensions and the payment of a lump sum in the event of death in service. Mr Roberts and Mr Lowe are members of the MLC's Defined Benefit Section of the MLC Pension Scheme and Mr Wilson is a member of the Defined Contribution Section.

It is the company's policy that executive directors should have contracts with an indefinite term providing for a maximum of one year's notice. Mr Roberts and Mr Lowe have one year's notice period. Mr Wilson's notice period is six months.

All Commissioners have specific terms of engagement and their remuneration is determined by Defra. The basic fee paid to each non-executive director in the year is set out in Note 13 to the Accounts. The Commissioners receive further fees for additional work performed for MLC.

Executive remuneration packages are prudently designed to attract, motivate and retain directors of the high calibre needed to manage MLC. The performance measurement of the executive directors and the determination of their annual remuneration package are undertaken by the Committee. The remuneration of the non-executive directors is determined by Defra.

None of the Committee has any personal financial interest (other than as shareholders of levy paying organisations), conflicts of interests arising from cross-directorships or day-to-day involvement in running the business. The Committee makes recommendations to the Board of Commissioners. No director plays a part in any discussion about his own remuneration.

In determining the directors' remuneration for the year, the Committee consulted Mr Roberts (Director General) and Mrs Garvey (Company Secretary) about its proposals.

Executive remuneration packages are prudently designed to attract, motivate and retain directors of the high calibre needed to manage MLC. The performance measurement of the executive directors and the determination of their annual remuneration package are undertaken by the Committee. The remuneration of the non-executive directors is determined by Defra.

Executive remuneration packages are prudently designed to attract, motivate and retain directors of the high calibre needed to manage MLC. The performance measurement of the executive directors and the determination of their annual remuneration package are undertaken by the Committee. The remuneration of the non-executive directors is determined by Defra.

Executive remuneration packages are prudently designed to attract, motivate and retain directors of the high calibre needed to manage MLC. The performance measurement of the executive directors and the determination of their annual remuneration package are undertaken by the Committee. The remuneration of the non-executive directors is determined by Defra.

Executive remuneration packages are prudently designed to attract, motivate and retain directors of the high calibre needed to manage MLC. The performance measurement of the executive directors and the determination of their annual remuneration package are undertaken by the Committee. The remuneration of the non-executive directors is determined by Defra.

Executive remuneration packages are prudently designed to attract, motivate and retain directors of the high calibre needed to manage MLC. The performance measurement of the executive directors and the determination of their annual remuneration package are undertaken by the Committee. The remuneration of the non-executive directors is determined by Defra.

Executive remuneration packages are prudently designed to attract, motivate and retain directors of the high calibre needed to manage MLC. The performance measurement of the executive directors and the determination of their annual remuneration package are undertaken by the Committee. The remuneration of the non-executive directors is determined by Defra.

Executive remuneration packages are prudently designed to attract, motivate and retain directors of the high calibre needed to manage MLC. The performance measurement of the executive directors and the determination of their annual remuneration package are undertaken by the Committee. The remuneration of the non-executive directors is determined by Defra.

Executive remuneration packages are prudently designed to attract, motivate and retain directors of the high calibre needed to manage MLC. The performance measurement of the executive directors and the determination of their annual remuneration package are undertaken by the Committee. The remuneration of the non-executive directors is determined by Defra.

Executive remuneration packages are prudently designed to attract, motivate and retain directors of the high calibre needed to manage MLC. The performance measurement of the executive directors and the determination of their annual remuneration package are undertaken by the Committee. The remuneration of the non-executive directors is determined by Defra.

Executive remuneration packages are prudently designed to attract, motivate and retain directors of the high calibre needed to manage MLC. The performance measurement of the executive directors and the determination of their annual remuneration package are undertaken by the Committee. The remuneration of the non-executive directors is determined by Defra.

Executive remuneration packages are prudently designed to attract, motivate and retain directors of the high calibre needed to manage MLC. The performance measurement of the executive directors and the determination of their annual remuneration package are undertaken by the Committee. The remuneration of the non-executive directors is determined by Defra.

Executive remuneration packages are prudently designed to attract, motivate and retain directors of the high calibre needed to manage MLC. The performance measurement of the executive directors and the determination of their annual remuneration package are undertaken by the Committee. The remuneration of the non-executive directors is determined by Defra.

Executive remuneration packages are prudently designed to attract, motivate and retain directors of the high calibre needed to manage MLC. The performance measurement of the executive directors and the determination of their annual remuneration package are undertaken by the Committee. The remuneration of the non-executive directors is determined by Defra.

Executive remuneration packages are prudently designed to attract, motivate and retain directors of the high calibre needed to manage MLC. The performance measurement of the executive directors and the determination of their annual remuneration package are undertaken by the Committee. The remuneration of the non-executive directors is determined by Defra.

Executive remuneration packages are prudently designed to attract, motivate and retain directors of the high calibre needed to manage MLC. The performance measurement of the executive directors and the determination of their annual remuneration package are undertaken by the Committee. The remuneration of the non-executive directors is determined by Defra.

Executive remuneration packages are prudently designed to attract, motivate and retain directors of the high calibre needed to manage MLC. The performance measurement of the executive directors and the determination of their annual remuneration package are undertaken by the Committee. The remuneration of the non-executive directors is determined by Defra.

Executive remuneration packages are prudently designed to attract, motivate and retain directors of the high calibre needed to manage MLC. The performance measurement of the executive directors and the determination of their annual remuneration package are undertaken by the Committee. The remuneration of the non-executive directors is determined by Defra.

Executive remuneration packages are prudently designed to attract, motivate and retain directors of the high calibre needed to manage MLC. The performance measurement of the executive directors and the determination of their annual remuneration package are undertaken by the Committee. The remuneration of the non-executive directors is determined by Defra.

Executive remuneration packages are prudently designed to attract, motivate and retain directors of the high calibre needed to manage MLC. The performance measurement of the executive directors and the determination of their annual remuneration package are undertaken by the Committee. The remuneration of the non-executive directors is determined by Defra.

Executive remuneration packages are prudently designed to attract, motivate and retain directors of the high calibre needed to manage MLC. The performance measurement of the executive directors and the determination of their annual remuneration package are undertaken by the Committee. The remuneration of the non-executive directors is determined by Defra.

Executive remuneration packages are prudently designed to attract, motivate and retain directors of the high calibre needed to manage MLC. The performance measurement of the executive directors and the determination of their annual remuneration package are undertaken by the Committee. The remuneration of the non-executive directors is determined by Defra.

Executive remuneration packages are prudently designed to attract, motivate and retain directors of the high calibre needed to manage MLC. The performance measurement of the executive directors and the determination of their annual remuneration package are undertaken by the Committee. The remuneration of the non-executive directors is determined by Defra.

Executive remuneration packages are prudently designed to attract, motivate and retain directors of the high calibre needed to manage MLC. The performance measurement of the executive directors and the determination of their annual remuneration package are undertaken by the Committee. The remuneration of the non-executive directors is determined by Defra.

Accounts for the Year Ended 31 March 2006

Introduction

The Accounts for the financial year ended 31 March 2006 have been approved by MLC Commissioners and audited by the National Audit Office. In accordance with Section 19(4) of the Agriculture Act 1967 and Section 88(3) of the Scotland Act 1998, the Secretary of State for Environment, Food and Rural Affairs, Scottish Ministers and the Welsh Assembly Government shall lay a copy of the statement of account and report before each House of the UK Parliament, the Scottish Parliament and the National Assembly for Wales.

Foreword

MLC was set up under the Agriculture Act 1967; its authority and the powers vested in it are described therein. MLC took over the activities and assets of the Pig Industry Development Authority and the Beef Recording Association and has subsequently developed the activities of those organisations in pig and cattle production, together with similar activities in sheep production.

Form of accounts

The accounts have been prepared in the form directed by the Secretary of State for Environment, Food and Rural Affairs, Scottish Ministers and the Welsh Assembly Government with the approval of the Treasury in accordance with Section 19(2) of the Agriculture Act 1967. The segmental analyses of General Levy funded operating expenditure and income are in line with the activity identities applied by MLC in preparing and reporting its Corporate Plan to the industry. The accounts include the results of MLC and its subsidiaries, Meat and Livestock Commercial Services Limited and EFSIS Limited up to the point of its sale in December 2005.

Principal activities

MLC's statutory purpose, as defined in Section 1, paragraphs 1(1) and 1(2) of the 1967 Agriculture Act, is:

To promote greater efficiency in the livestock industry and the livestock products industry whilst having regard to the interests of consumers [and] of the livestock industry and the livestock products industry.

The MLC federal structure
MLC created a fully federal structure in April 2003.

English Beef and Lamb Executive (EBLEX) has strategic responsibility for the deployment of all MLC cattle and sheep levies raised in England. It is an executive committee that operates with maximum autonomy within MLC.

British Pig Executive (BPEX) determines the pig strategy and ensures that levy payers' money is deployed effectively and efficiently. Like EBLEX, it is an executive committee that operates with maximum autonomy within MLC.

Hybu Cig Cymru/Meat Promotion Wales (HCC) is the separate strategic body for the red meat industry in Wales. MLC has transferred its functions to HCC in respect of the Welsh industry. HCC is responsible for the strategy and deployment of all red meat levies raised by MLC in Wales. It operates under public procedures for the spending of public funds such as levy income and government grants.

Quality Meat Scotland (QMS) is the separate strategic body for the red meat industry in Scotland. MLC has transferred its functions to QMS in respect of the Scottish industry. QMS is responsible for the strategy and deployment of all MLC levies raised in Scotland and is fully accountable to Scottish Ministers for the use of these levies. It operates under public procedures for the spending of public funds such as levy income and government grants.

The MLC Executives' role within the federal structure is as follows:

Provision of services to the federal bodies: Where the federal bodies seek the Executive's help to deliver their strategies, the federal bodies and Executive agree strategic objectives, targets, business plans and working arrangements on an annual basis. For this work, the federal bodies reimburse the Executive.

Coordination and communication on common issues: Where consistent activities are required for the industry across Britain, or where all the federal bodies pursue the same objectives, the Executive seeks to co-ordinate the approach to avoid duplication. In addition, where messages can most effectively be delivered through one voice, the Executive seeks to speak on behalf of the "federal family", with the agreement of the federal bodies.

Accounts for the Year Ended 31 March 2006

Introduction

The Accounts for the financial year ended 31 March 2006 have been approved by MLC Commissioners and audited by the National Audit Office. In accordance with Section 19(4) of the Agriculture Act 1967 and Section 88(3) of the Scotland Act 1998, the Secretary of State for Environment, Food and Rural Affairs, Scottish Ministers and the Welsh Assembly Government shall lay a copy of the statement of account and report before each House of the UK Parliament, the Scottish Parliament and the National Assembly for Wales.

Foreword

History of body and statutory background

MLC was set up under the Agriculture Act 1967; its authority and the powers vested in it are described therein. MLC took over the activities and assets of the Pig Industry Development Authority and the Beef Recording Association and has subsequently developed the activities of those organisations in pig and cattle production, together with similar activities in sheep production.

Form of accounts

The accounts have been prepared in the form directed by the Secretary of State for Environment, Food and Rural Affairs, Scottish Ministers and the Welsh Assembly Government with the approval of the Treasury in accordance with Section 19(2) of the Agriculture Act 1967. The segmental analyses of General Levy funded operating expenditure and income are in line with the activity identities applied by MLC in preparing and reporting its Corporate Plan to the industry. The accounts include the results of MLC and its subsidiaries, Meat and Livestock Commercial Services Limited and EFSIS Limited up to the point of its sale in December 2005.

Principal activities

MLC's statutory purpose, as defined in Section 1, paragraphs 1(1) and 1(2) of the 1967 Agriculture Act, is:

To promote greater efficiency in the livestock industry and the livestock products industry, whilst having regard to the interests of consumers [and] of the livestock industry and the livestock products industry.

The MLC federal structure

MLC created a fully federal structure in April 2003.

English Beef and Lamb Executive (EBLEX) has strategic responsibility for the deployment of all MLC cattle and sheep levies raised in England. It is an executive committee that operates with maximum autonomy within MLC.

British Pig Executive (BPEX) determines the pig strategy and ensures that levy payers' money is deployed effectively and efficiently. Like EBLEX, it is an executive committee that operates with maximum autonomy within MLC. During 2005/06 HCC had an agreement with BPEX for it to implement its strategy in Wales.

Hybu Cig Cymru/Meat Promotion Wales (HCC) is the separate strategic body for the red meat industry in Wales. MLC has transferred its functions to HCC in respect of the Welsh industry. HCC is responsible for the strategy and deployment of all red meat levies raised by MLC in Wales. It operates under public procedures for the spending of public funds such as levy income and government grants.

Quality Meat Scotland (QMS) is the separate strategic body for the red meat industry in Scotland. MLC has transferred its functions to QMS in respect of the Scottish industry. QMS is responsible for the strategy and deployment of all MLC levies raised in Scotland and is fully accountable to Scottish Ministers for the use of these levies. It operates under public procedures for the spending of public funds such as levy income and government grants.

The MLC Executive's role within the federal structure is as follows:

Provision of services to the federal bodies: Where the federal bodies seek the Executive's help to deliver their strategies, the federal bodies and Executive agree strategic objectives, targets, business plans and working arrangements on an annual basis. For this work, the federal bodies reimburse the Executive.

Coordination and communication on common issues: Where consistent activities are required for the industry across Britain, or where all the federal bodies pursue the same objectives, the Executive seeks to co-ordinate the approach to avoid duplication. In addition, where messages can most effectively be delivered through one voice, the Executive seeks to speak on behalf of the "federal family", with the agreement of the federal bodies.

The change to the Over Thirty Month (OTM) rule was tremendous news. The return of older beef to the human food chain signals another milestone in putting BSE firmly behind us. Looking at the year ahead and beyond there is a real need to engender greater beef, sheep and pig producer confidence. Getting the right market signals coming through from our supply chains will be a critical factor and the multiple retailers will increasingly be pressed to play a leadership role in this.

The progress with WTO negotiations and how our government is representing the UK agricultural sector's needs with EU negotiators will be important. MLC is in favour of free trade but not at the price of fair trade – imports should be to the same standards as our own for production, welfare and environment.

Resumption of normalised beef exports, in the new financial year, will present our beef industry with new opportunities. Good export trade helps underpin domestic farmgate prices.

The MLC federal bodies will continue to differentiate quality pork, beef and lamb from commodity product, and to assist livestock enterprises to improve their business efficiencies and get better returns.

We will also face the challenge of delivering any Defra decision on the levy board review by Rosemary Radcliffe. Her recommendations offer the industry a great opportunity for improved cross-sector co-operation and more value for British agriculture.

A fuller explanation of these issues can be found in the Chairman's, Director General's and federal body Chairmen's reports for the year.

MLC Board of Commissioners

The names of the Chairman and other Commissioners at 31 March 2006 are listed at the beginning of this report (see page 6). There were no appointments or retirements during the year. Mr Jim Walker's three-year term as a Commissioner ended on 31 March 2006.

Government agency work

The Rural Payments Agency (RPA) continues to reimburse MLC in respect of redundancy payments to fatstock staff, who were the subject of an agreement made following the demise of the Sheep Variable Premium Scheme in January 1992, where MLC has been unable to retain those staff to carry out additional specified non-agency duties.

Consideration of consumer views and interest: The MLC group also strives to take full account of the consumer in all activities. It will continue to subject plans for comment to the internal Consumer Issues Forum and to the statutory Consumers Committee (see page 7), encourage the federal bodies to do likewise (either through their own consumer structures or utilising the Executive's facilities) and seek to ensure that 'the consumer' remains uppermost in the minds of those planning and deciding upon the work being undertaken.

Review of the year and future developments

It has been another year of change and challenge for the red meat industry as federal MLC helped it grapple with the impact of CAP reform, respond to increased competition from overseas and struggle to find profitability in the face of downward pressure on farmgate prices.

The primary challenge has been to help make our industry more competitive by closing the cost of production gap - at one end, through greater technical and financial efficiencies and, at the other end, through enhanced product quality and differentiation. Federal MLC policy and work streams were all designed to help achieve this.

MLC also had notable success with helping to reduce salt in manufactured meat products and in pivotal aspects of the industry's and government/agencies' preparations for the return of older beef to the foodchain. And unlike some other EU markets the UK continued to enjoy very robust red meat consumption, thanks to the work of organisations such as the federal MLC.

MLC Pension Scheme

In accordance with Treasury accounting guidelines for the year ended 31 March 2006, MLC has adopted the full accounting requirements of FRS 17: 'Retirement Benefits'. A key outcome of this is the recognition of a pension asset in the MLC balance sheet as at 31 March 2006, of £24.7m. This asset is owned by the MLC Pension Scheme and, in accordance with the Pension Scheme Surpluses (Valuation) Regulations 1987, is not available to MLC. During the year ended 31 March 2006 the employer and active members recommenced contributions to the Scheme.

Corporate governance: The MLC group seeks to meet the expectations of Government and industry in the area of corporate governance, and through the Board of Commissioners and with the support of Government ensure that all those using levy funds on behalf of MLC achieve the same standards. These include propriety in relation to levy spend, and governance in relation to the management of staff and assets. The Audit Committee oversees MLC's financial activities.

Review of the year and future developments

It has been another year of change and challenge for the red meat industry as federal MLC helped it grapple with the impact of CAP reform, respond to increased competition from overseas and struggle to find profitability in the face of downward pressure on farmgate prices.

The primary challenge has been to help make our industry more competitive by closing the cost of production gap - at one end, through greater technical and financial efficiencies and, at the other end, through enhanced product quality and differentiation. Federal MLC policy and work streams were all designed to help achieve this.

MLC also had notable success with helping to reduce salt in manufactured meat products and in pivotal aspects of the industry's and government/agencies' preparations for the return of older beef to the foodchain. And unlike some other EU markets the UK continued to enjoy very robust red meat consumption, thanks to the work of organisations such as the federal MLC.

Consideration of consumer views and interest: The MLC group also strives to take full account of the consumer in all activities. It will continue to subject plans for comment to the internal Consumer Issues Forum and to the statutory Consumers Committee (see page 7), encourage the federal bodies to do likewise (either through their own consumer structures or utilising the Executive's facilities) and seek to ensure that 'the consumer' remains uppermost in the minds of those planning and deciding upon the work being undertaken.

Corporate governance: The MLC group seeks to meet the expectations of Government and industry in the area of corporate governance, and through the Board of Commissioners and with the support of Government ensure that all those using levy funds on behalf of MLC achieve the same standards. These include propriety in relation to levy spend, and governance in relation to the management of staff and assets. The Audit Committee oversees MLC's financial activities.

MLC Pension Scheme

In accordance with Treasury accounting guidelines for the year ended 31 March 2006, MLC has adopted the full accounting requirements of FRS 17: 'Retirement Benefits'. A key outcome of this is the recognition of a pension asset in the MLC balance sheet, as at 31 March 2006, of £24.7m. This asset is owned by the MLC Pension Scheme and, in accordance with the Pension Scheme Surpluses (Valuation) Regulations 1987, is not available to MLC. During the year ended 31 March 2006 the employer and active members recommenced contributions to the Scheme.

Review of the year and future developments

It has been another year of change and challenge for the red meat industry as federal MLC helped it grapple with the impact of CAP reform, respond to increased competition from overseas and struggle to find profitability in the face of downward pressure on farmgate prices.

The primary challenge has been to help make our industry more competitive by closing the cost of production gap - at one end, through greater technical and financial efficiencies and, at the other end, through enhanced product quality and differentiation. Federal MLC policy and work streams were all designed to help achieve this.

MLC also had notable success with helping to reduce salt in manufactured meat products and in pivotal aspects of the industry's and government/agencies' preparations for the return of older beef to the foodchain. And unlike some other EU markets the UK continued to enjoy very robust red meat consumption, thanks to the work of organisations such as the federal MLC.

The change to the Over Thirty Month (OTM) rule was tremendous news. The return of older beef to the human food chain signals another milestone in putting BSE firmly behind us.

Looking at the year ahead and beyond there is a real need to engender greater beef, sheep and pig producer confidence. Getting the right market signals coming through from our supply chains will be a critical factor and the multiple retailers will increasingly be pressed to play a leadership role in this.

The progress with WTO negotiations and how our government is representing the UK agricultural sector's needs with EU negotiators will be important. MLC is in favour of free trade but not at the price of fair trade – imports should be to the same standards as our own for production, welfare and environment.

Resumption of normalised beef exports, in the new financial year, will present our beef industry with new opportunities. Good export trade helps underpin domestic farmgate prices.

The MLC federal bodies will continue to differentiate quality pork, beef and lamb from commodity product, and to assist livestock enterprises to improve their business efficiencies and get better returns.

We will also face the challenge of delivering any Defra decision on the levy board review by Rosemary Radcliffe. Her recommendations offer the industry a great opportunity for improved cross-sector co-operation and more value for British agriculture.

A fuller explanation of these issues can be found in the Chairman's, Director General's and federal body Chairmen's reports for the year.

MLC Board of Commissioners

The names of the Chairman and other Commissioners at 31 March 2006 are listed at the beginning of this report (see page 6). There were no appointments or retirements during the year. Mr Jim Walker's three-year term as a Commissioner ended on 31 March 2006.

Government agency work

The Rural Payments Agency (RPA) continues to reimburse MLC in respect of redundancy payments to fatstock staff, who were the subject of an agreement made following the demise of the Sheep Variable Premium Scheme in January 1992, where MLC has been unable to retain those staff to carry out additional specified non-agency duties.



Fixed assets

MLC's freehold properties were re-valued as at 31 March 2006. Details of the movements in tangible fixed assets and revaluation reserve during the year are set out in Notes 17 and 25 to the Accounts.

Research and development

In accordance with one of its principal objectives, MLC is concerned with many areas of research and development. These activities are outlined elsewhere in this report. Collaborative research and development policy and strategy for the ruminant sector are determined by a federal R&D Committee.

Employee matters

The average number of full- and part-time staff employed by the MLC (EBLEX, BPEX, the MLC Executive and MLC Commercial Services) during the year was 594, compared with 589 the previous year. Of those, 117 were funded from the levy. The other 477 worked either within MLC Commercial Services, and were funded from fees earned from commercial activities, or within other fee-earning and grant-supported areas.

MLC operates an equal opportunities policy which is published in its Conditions of Service and distributed to staff. Applications for employment by disabled persons are always fully considered, bearing in mind the requirements of the job and the aptitude and abilities of the applicant concerned. In the event of members of staff being disabled, every effort is made to ensure that their employment with MLC continues and the appropriate training is arranged. It is MLC's policy that training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Staff of MLC are represented by Prospect with formal communications taking place through the Whitley Council. Regular consultation takes place with Prospect to ensure that their views are considered when decisions are made that are likely to affect the interests of employees. They are also kept informed on MLC's financial status and business performance. Communication with all employees continues through organisation notices, written and face-to-face briefings and the general circulation of the Director General's Whitley Council Report.

MLC's commitment to health and safety is demonstrated through the implementation of its Health and Safety Policy. Health and Safety issues are identified and administered by the MLC Health & Safety Committee. During the year updated guidance was circulated to all staff relating to personal disinfection whilst on-farm, as part of good biosecurity practice. Risk assessments for activity on third party premises were reviewed and updated to ensure the new legislation on noise at work was fully covered. The Health & Safety Committee also prepared risk assessments for Homeworkers and a Stress Policy both of which were under trial at the year end.

Employment legislation is continually monitored to ensure that MLC's policies and procedures comply with any new developments.



Corporate governance

MLC supports the highest standards in Corporate Governance and seeks to comply with the Code of Best Practice for Board Members of Public Bodies published by HM Treasury.

Board of Commissioners

MLC Board of Commissioners meets ten times a year and exercises full and effective control over MLC. There are eleven Commissioners including the Chairman and Deputy Chairman, appointed jointly by the Secretary of State for Environment, Food and Rural Affairs, Scottish Ministers and the Welsh Assembly Government. Commissioners are independent of management and are paid their remuneration and expenses, as determined by the Secretary of State, from public funds. (A list of MLC Commissioners is given on page 6).

Federal body boards

Within MLC's federal structure, the boards of the federal bodies are responsible for the setting of objectives and the development and implementation of strategy within their specific areas of responsibility. A list of board members is on page 16 – BPEX, page 24 – EBLEX, at www.hccmpw.org.uk – HCC and at www.qmscotland.co.uk – QMS.

Audit Committee

The Audit Committee is comprised entirely of Commissioners and has written terms of reference, which are approved by the Board of Commissioners. The terms of reference outline the purpose, accountability and make-up of the Audit Committee and include provision for regular discussions with the external auditors and MLC's Internal Audit Manager. The Audit Committee met four times last year. Minutes of Audit Committee meetings are regularly circulated to the Board of Commissioners and there is opportunity to discuss any relevant issues with the Audit Committee Chairman and members. The Audit Committee has a wide remit, defined within MLC's Audit Committee Charter. In summary it reviews the annual accounts, management accounts, budgets and forecasts, the Internal Audit activity and ensures that MLC has a robust risk management and corporate governance environment.

As in previous years, part of the February 2006 Audit Committee meeting was 'open' to industry stakeholders to provide them with the necessary assurance that their levy contributions were being effectively deployed and managed within a strong and robust corporate governance and control environment. An open meeting is held on an annual basis. (A list of Audit Committee members is given on page 7).

Management Committee

The day-to-day management of the MLC Executive is exercised by the Director General together with the Directors and senior managers responsible for the major activities. The Director General, Directors and senior managers, as appropriate, fully participate in meetings of the Board of Commissioners.

Corporate governance

MLC supports the highest standards in Corporate Governance and seeks to comply with the Code of Best Practice for Board Members of Public Bodies published by HM Treasury.

Board of Commissioners

MLC Board of Commissioners meets ten times a year and exercises full and effective control over MLC. There are eleven Commissioners including the Chairman and Deputy Chairman, appointed jointly by the Secretary of State for Environment, Food and Rural Affairs, Scottish Ministers and the Welsh Assembly Government. Commissioners are independent of management and are paid their remuneration and expenses, as determined by the Secretary of State, from public funds. (A list of MLC Commissioners is given on page 6).

Federal body boards

Within MLC's federal structure, the boards of the federal bodies are responsible for the setting of objectives and the development and implementation of strategy within their specific areas of responsibility. A list of board members is on page 16 – BPEX, page 24 – EBLEX, at www.hccmpw.org.uk – HCC and at www.qmscotland.co.uk – QMS.

Audit Committee

The Audit Committee is comprised entirely of Commissioners and has written terms of reference, which are approved by the Board of Commissioners. The terms of reference outline the purpose, accountability and make-up of the Audit Committee and include provision for regular discussions with the external auditors and MLC's Internal Audit Manager. The Audit Committee met four times last year. Minutes of Audit Committee meetings are regularly circulated to the Board of Commissioners and there is opportunity to discuss any relevant issues with the Audit Committee Chairman and members. The Audit Committee has a wide remit, defined within MLC's Audit Committee Charter. In summary it reviews the annual accounts, management accounts, budgets and forecasts, the Internal Audit activity and ensures that MLC has a robust risk management and corporate governance environment.

Management Committee

The day-to-day management of the MLC Executive is exercised by the Director General together with the Directors and senior managers responsible for the major activities. The Director General, Directors and senior managers, as appropriate, fully participate in meetings of the Board of Commissioners.

Fixed assets

MLC's freehold properties were re-valued as at 31 March 2006. Details of the movements in tangible fixed assets and revaluation reserve during the year are set out in Notes 17 and 25 to the Accounts.

Research and development

In accordance with one of its principal objectives, MLC is concerned with many areas of research and development. These activities are outlined elsewhere in this report. Collaborative research and development policy and strategy for the ruminant sector are determined by a federal R&D Committee.

Employee matters

The average number of full- and part-time staff employed by the MLC (EBLEX, BPEX, the MLC Executive and MLC Commercial Services) during the year was 594, compared with 589 the previous year. Of those, 117 were funded from the levy. The other 477 worked either within MLC Commercial Services, and were funded from fees earned from commercial activities, or within other fee-earning and grant-supported areas.

MLC operates an equal opportunities policy which is published in its Conditions of Service and distributed to staff. Applications for employment by disabled persons are always fully considered, bearing in mind the requirements of the job and the aptitude and abilities of the applicant concerned. In the event of members of staff being disabled, every effort is made to ensure that their employment with MLC continues and the appropriate training is arranged. It is MLC's policy that training, career development and promotion of a disabled person should, as far as possible, be identical to that of a person who does not suffer from a disability.

Staff of MLC are represented by Prospect with formal communications taking place through the Whitley Council. Regular consultation takes place with Prospect to ensure that their views are considered when decisions are made that are likely to affect the interests of employees. They are also kept informed on MLC's financial status and business performance. Communication with all employees continues through organisation notices, written and face-to-face briefings and the general circulation of the Director General's Whitley Council Report.

MLC's commitment to health and safety is demonstrated through the implementation of its Health and Safety Policy. Health and Safety issues are identified and administered by the MLC Health & Safety Committee. During the year updated guidance was circulated to all staff relating to personal disinfection whilst on-farm, as part of good biosecurity practice. Risk assessments for activity on third party premises were reviewed and updated to ensure the new legislation on noise at work was fully covered. The Health & Safety Committee also prepared risk assessments for Homeworkers and a Stress Policy both of which were under trial at the year end.

Employment legislation is continually monitored to ensure that MLC's policies and procedures comply with any new developments.

MLC seeks to maintain excellent working relations with its sponsoring Government department, Defra, facilitated by regular communication between the parties at all levels. During the year a revised Management Statement and Financial Memorandum, which sets out the broad framework within which MLC is required to operate in relationship to Defra, was developed.

Relations with Government

MLC has a Publication Scheme in place that was approved by the Information Commissioner in November 2002, as required under the Freedom of Information Act 2000. The Publication Scheme signposts people to a wide range of information published by the MLC and a copy can be found on the MLC website.

MLC embraces the principles of Open Government and seeks to communicate its activities through this publication and its annually updated Corporate Plan, both of which are public documents and can be found on the MLC website at www.mlc.org.uk. MLC, through its federal bodies, consults widely with stakeholders on the thrust of strategic plans for industry and on changes to statutory levy rates.

Open Government

MLC observes the principles of the Better Payment Practice Code and it is the organisation's payment policy to settle terms before business is agreed, to ensure that suppliers are aware of them and to pay bills in accordance with those terms.

Payment policy

Notwithstanding, during the year Rosemary Radcliffe, at the request of Defra, conducted a fundamental review of the agricultural levy boards. Her report "Review of the Agricultural and Horticultural Levy Bodies" was published in November 2005 and made a number of recommendations that could directly affect MLC in future. Defra immediately implemented an industry consultation, that concluded in February 2006 and the outcome is expected to be announced by Ministers early in the new Financial Year.

In deciding to prepare the accounts on a going-concern basis, the Board of Commissioners reviewed MLC's budget for 2006/07, and the two-year Corporate Plan for 2006 – 2008 in the context of expected levies, other income and consequent cash flow implications. The Board of Commissioners has a reasonable expectation that MLC has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing MLC's financial statements.

Going concern

report on page 41).

The pay and benefits of the Director General and other Directors are determined by this Committee, which is comprised entirely of Commissioners. The Committee takes appropriate advice from specialist sources. The Board of Commissioners discusses the recommendations of the Remuneration Committee in private session (more detail is given in the Directors' remuneration report on page 41).

Remuneration Committee

Remuneration Committee

The pay and benefits of the Director General and other Directors are determined by this Committee, which is comprised entirely of Commissioners. The Committee takes appropriate advice from specialist sources. The Board of Commissioners discusses the recommendations of the Remuneration Committee in private session (more detail is given in the Directors' remuneration report on page 41).

Going concern

In deciding to prepare the accounts on a going-concern basis, the Board of Commissioners reviewed MLC's budget for 2006/07, and the two-year Corporate Plan for 2006 – 2008 in the context of expected levies, other income and consequent cash flow implications. The Board of Commissioners has a reasonable expectation that MLC has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing MLC's financial statements.

Notwithstanding, during the year Rosemary Radcliffe, at the request of Defra, conducted a fundamental review of the agricultural levy boards. Her report "Review of the Agricultural and Horticultural Levy Bodies" was published in November 2005 and made a number of recommendations that could directly affect MLC in future. Defra immediately implemented an industry consultation, that concluded in February 2006 and the outcome is expected to be announced by Ministers early in the new Financial Year.

Payment policy

MLC observes the principles of the Better Payment Practice Code and it is the organisation's payment policy to settle terms before business is agreed, to ensure that suppliers are aware of them and to pay bills in accordance with those terms.

Open Government

MLC embraces the principles of Open Government and seeks to communicate its activities through this publication and its annually updated Corporate Plan, both of which are public documents and can be found on the MLC website at www.mlc.org.uk. MLC, through its federal bodies, consults widely with stakeholders on the thrust of strategic plans for industry and on changes to statutory levy rates.

MLC has a Publication Scheme in place that was approved by the Information Commissioner in November 2002, as required under the Freedom of Information Act 2000. The Publication Scheme signposts people to a wide range of information published by the MLC and a copy can be found on the MLC website.

Relations with Government

MLC seeks to maintain excellent working relations with its sponsoring Government department, Defra, facilitated by regular communication between the parties at all levels. During the year a revised Management Statement and Financial Memorandum, which sets out the broad framework within which MLC is required to operate in relationship to Defra, was developed.

Citizen's Charter

MLC seeks to comply with the principles of the Citizen's Charter. It has developed standards for customer and levy-payer service against which it can measure its performance. A copy of the MLC Citizen's Charter leaflet can be obtained from the Company Secretary at the MLC head office.

Director General's responsibilities

The Principal Accounting Officer at the Department for Environment, Food and Rural Affairs, who is the Permanent Secretary, designated the Director General of the Meat and Livestock Commission as the Accounting Officer for MLC. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable to the Defra Accounting Officer and the Public Accounts Committee of the House of Commons and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum.

The Principal Accounting Officer at the Department for Environment, Food and Rural Affairs, who is the Permanent Secretary, designated the Director General of the Meat and Livestock Commission as the Accounting Officer for MLC. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances for which he is answerable to the Defra Accounting Officer and the Public Accounts Committee of the House of Commons and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum.

Director General's responsibilities

MLC seeks to comply with the principles of the Citizen's Charter. It has developed standards for customer and levy-payer service against which it can measure its performance. A copy of the MLC Citizen's Charter leaflet can be obtained from the Company Secretary at the MLC head office.

Citizen's Charter

Statement on internal control

Scope of responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of MLC's policies, aims and objectives and safeguards the public funds and organisational assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting. This includes BEPEX, EBLEX, MLC Commercial Services and MLC Executive.

This responsibility also extends to HCC. My review of the effectiveness of HCC's system of internal control is informed by my seat on the HCC board and its Audit Committee. A separate statement on the system of internal control for HCC can be found in its Annual Report and Accounts 2006.

The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of MLC's policies, aims and objectives, evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control has continued to be in place for the 12 months ended 31 March 2006 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

Capacity to handle risk

Leadership: Leadership is given to the risk management process via the MLC Board of Commissioners, federal body boards, the Audit Committee and the Management Committee. As Director General of MLC, I act as sponsor of the group's corporate governance and risk management programme with the Company Secretary and Financial Controller acting as key programme managers.

MLC's risk management team

MLC has a risk management team (RMT) made up of senior managers who are responsible for disseminating good practice throughout the organisation, implementing the specific actions identified in MLC's risk register and updating the register in the light of any current or anticipated developments that may impact on MLC's ability to achieve its objectives.

The risk framework

MLC's risk management policy

MLC's risk management policy constitutes a key element of its internal control and corporate governance framework and covers MLC's approach to risk management, responsibilities and the risk management process. MLC's risk appetite is determined by the extent to which the tolerance of risk is embedded within our overall risk management framework. In broad terms all currently identified controllable risks are considered to be within the risk appetite of the business.

MLC's risk register

MLC has an organisation-wide, 'issues-themed' risk register, which has been widely circulated to all senior managers within the organisation and identifies prioritised risks.

During the past 12 months the risk register has been subject to extensive review to identify the action required to better mitigate our identified risks. A specific Risk Register was developed for EBLEX, in November 2005.

MLC's Business Continuity Plan

MLC has a comprehensive Business Continuity Plan (BCP), the purpose of which is to identify ways and means for MLC to continue to operate its core activities should a 'disaster' occur at its head office location. A Business Continuity Team was established to co-ordinate MLC's activities in this area.

MLC's annual control risk self-assessment process

MLC completed an annual control risk self-assessment questionnaire produced by PricewaterhouseCoopers LLP (PwC). This identified a strong response to the questionnaire and a slight improvement in overall controls since last year.

MLC's Standing Instructions (SI)

MLC's Standing Instructions (SI) define the operating procedures for MLC and include the Standing Orders, Standing Financial Instructions and a Scheme of Delegation. During the past 12 months an updated SI document was developed and approved by the Board of Commissioners at its meeting on 24 November 2005.

MLC's Standing Instructions (SI) define the operating procedures for MLC and include the Standing Orders, Standing Financial Instructions and a Scheme of Delegation. During the past 12 months an updated SI document was developed and approved by the Board of Commissioners at its meeting on 24 November 2005.

MLC completed an annual control risk self-assessment questionnaire produced by PricewaterhouseCoopers LLP (PwC). This identified a strong response to the questionnaire and a slight improvement in overall controls since last year.

MLC has a comprehensive Business Continuity Plan (BCP), the purpose of which is to identify ways and means for MLC to continue to operate its core activities should a 'disaster' occur at its head office location. A Business Continuity Team was established to co-ordinate MLC's activities in this area.

MLC has an organisation-wide, 'issues-themed' risk register, which has been widely circulated to all senior managers within the organisation and identifies prioritised risks.

MLC's risk management policy constitutes a key element of its internal control and corporate governance framework and covers MLC's approach to risk management, responsibilities and the risk management process. MLC's risk appetite is determined by the extent to which the tolerance of risk is embedded within our overall risk management framework. In broad terms all currently identified controllable risks are considered to be within the risk appetite of the business.

MLC's risk management policy constitutes a key element of its internal control and corporate governance framework and covers MLC's approach to risk management, responsibilities and the risk management process. MLC's risk appetite is determined by the extent to which the tolerance of risk is embedded within our overall risk management framework. In broad terms all currently identified controllable risks are considered to be within the risk appetite of the business.

The risk framework

MLC's risk management team (RMT) made up of senior managers who are responsible for disseminating good practice throughout the organisation, implementing the specific actions identified in MLC's risk register and updating the register in the light of any current or anticipated developments that may impact on MLC's ability to achieve its objectives.

MLC's risk management team (RMT) made up of senior managers who are responsible for disseminating good practice throughout the organisation, implementing the specific actions identified in MLC's risk register and updating the register in the light of any current or anticipated developments that may impact on MLC's ability to achieve its objectives.

MLC's Standing Instructions (SI) define the operating procedures for MLC and include the Standing Orders, Standing Financial Instructions and a Scheme of Delegation. During the past 12 months an updated SI document was developed and approved by the Board of Commissioners at its meeting on 24 November 2005.

Leadership: Leadership is given to the risk management process via the MLC Board of Commissioners, federal body boards, the Audit Committee and the Management Committee. As Director General of MLC, I act as sponsor of the group's corporate governance and risk management programme with the Company Secretary and Financial Controller acting as key programme managers.

Capacity to handle risk

The system of internal control has continued to be in place for the 12 months ended 31 March 2006 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of MLC's policies, aims and objectives, evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically.

The system of internal control is designed to manage risk to a reasonable level rather than eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness.

The purpose of the system of internal control

This responsibility also extends to HCC. My review of the effectiveness of HCC's system of internal control is informed by my seat on the HCC board and its Audit Committee. A separate statement on the system of internal control for HCC can be found in its Annual Report and Accounts 2006.

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of MLC's policies, aims and objectives and safeguards the public funds and organisational assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Government Accounting. This includes BEPEX, EBLEX, MLC Commercial Services and MLC Executive.

Scope of responsibility

Statement on internal control



The Board of Commissioners has a number of key roles in the management of risk, including setting the tone and influencing the culture of risk management within MLC, including determining the level of risk that is acceptable in specific areas of activity. It does this by its policy and overall approach.

MLC Board of Commissioners

I have been advised on the implications of my review of the effectiveness of the system of internal control by the Board of Commissioners and the Audit Committee. A plan is in place to address weaknesses and ensure continuous improvement of the system.

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors, the Audit Committee, which oversees the work of the Internal Auditors, the executive managers within MLC, who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

Review of effectiveness

MLC's financial systems framework is underpinned by its Agresso management information system, which was successfully upgraded during August 2005.

MLC's Agresso management information system

The financial systems framework

MLC's non-financial reporting framework During the past 12 months we have continued to develop our non-financial reporting framework with the objective of using financial measures. MLC federal bodies approached their business planning process for 2005/06 and 2006/07 within a very comprehensive and robust performance measurement and evaluation framework, clearly focused on a number of 'outcome' and 'output'-based measures of performance. Regular reviews of performance are undertaken to ensure that performance is on-target and that value-for-money is being delivered to levy payers. Progress has also been made in developing a series of scorecards for specific business units within the MLC Executive, with the development of a stakeholder perception questionnaire. This will allow us to more formally measure federal body satisfaction with services provided by the MLC Executive.

In 2005 a new style board-level financial report was presented to the EBLEX board and a sophisticated internal financial reporting template was developed for BPEX, which will allow its management team to review expenditure over multiple dimensions (i.e. project costs by work order and staff costs by person), both in summary and detail, direct from our Agresso (see later) management information system.

A wide range of routine financial reports are produced and distributed by MLC's Financial Services function on a monthly basis. These form a reporting hierarchy that allow senior managers to drill down from a high level of strategic information into detailed operational analysis where the need arises.

MLC's financial reporting framework

A set of corporate guidelines are currently being developed to facilitate the further commercial development of the MLC Executive. These will incorporate a Customer Charter and sections on planning, delivery, performance measurement and evaluation and contain links to other useful information.

MLC's Corporate Guidelines

Business plans and budgets for 2006/07 were presented to the BPEX board and the finance sub-committee of the EBLEX board in January 2005. These were consolidated into the preliminary MLC group budget presented to the Board of Commissioners at their meeting on 26 January 2006.

MLC has recently introduced a new annual business plan template to more fully embed risk management and promote good corporate governance within the organisation.

MLC's business plans and budgets

During the past 12 months a Corporate Plan and Annual Report and Accounts Requirements document was finalised with Defra. This sets out the required form and content of both the Corporate Plan and Annual Report and Accounts documents and contain links to other useful information.

MLC publishes on an annual basis a rolling three year Corporate Plan, which provides an outline of key factors influencing the industry, detailed plans for BPEX, EBLEX and HCC and background financial information.

MLC's Corporate Plan

The planning and control framework

The planning and control framework

MLC's Corporate Plan

MLC publishes on an annual basis a rolling three year Corporate Plan, which provides an outline of key factors influencing the industry, detailed plans for BPEX, EBLEX and HCC and background financial information.

During the past 12 months a Corporate Plan and Annual Report and Accounts Requirements document was finalised with Defra. This sets out the required form and content of both the Corporate Plan and Annual Report and Accounts documents and the timescales within which Defra require these to be finalised and delivered.

MLC's business plans and budgets

MLC has recently introduced a new annual business plan template to more fully embed risk management and promote good corporate governance within the organisation.

Business plans and budgets for 2006/07 were presented to the BPEX board and the finance sub-committee of the EBLEX board in January 2005. These were consolidated into the preliminary MLC group budget presented to the Board of Commissioners at their meeting on 26 January 2006.

MLC's Corporate Guidelines

A set of corporate guidelines are currently being developed to facilitate the further commercial development of the MLC Executive. These will incorporate a Customer Charter and sections on planning, delivery, performance measurement and evaluation and contain links to other useful information.

MLC's financial reporting framework

In 2005 a new style board-level financial report was presented to the EBLEX board and a sophisticated internal financial reporting template was developed for BPEX, which will allow its management team to review expenditure over multiple dimensions (i.e. project costs by work order and staff costs by person), both in summary and detail, direct from our Agresso (see later) management information system.

MLC's non-financial reporting framework

During the past 12 months we have continued to develop our non-financial reporting framework with the objective of using non-financial measures. MLC federal bodies approached their business planning process for 2005/06 and 2006/07 within a very comprehensive and robust performance measurement and evaluation framework, clearly focused on a number of 'outcome' and 'output'-based measures of performance. Regular reviews of performance are undertaken to ensure that performance is on-target and that value-for-money is being delivered to levy payers. Progress has also been made in developing a series of scorecards for specific business units within the MLC Executive, with the development of a stakeholder perception questionnaire. This will allow us to more formally measure federal body satisfaction with services provided by the MLC Executive.

The financial systems framework

MLC's Agresso management information system

MLC's financial systems framework is underpinned by its Agresso management information system, which was successfully upgraded during August 2005.

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the Internal Auditors, the Audit Committee, which oversees the work of the Internal Auditors, the executive managers within MLC, who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

I have been advised on the implications of my review of the effectiveness of the system of internal control by the Board of Commissioners and the Audit Committee. A plan is in place to address weaknesses and ensure continuous improvement of the system.

MLC Board of Commissioners

The Board of Commissioners has a number of key roles in the management of risk, including setting the tone and influencing the culture of risk management within MLC, including determining the level of risk that is acceptable in specific areas of activity. It does this by its policy and overall approach.



MLC's Audit Committee

The broad thrust of MLC's Audit Committee Charter is that the Audit Committee supports the Accounting Officer with a constructive and challenging approach. The remit of the Audit Committee is defined to include advising the Accounting Officer on strategic processes for risk control, governance and the statement on internal control as well as considering the planned activity and results of both internal and external audit.

In reviewing the effectiveness of MLC's internal control the Audit Committee has undertaken the following key activities:

Internal control: Gained an understanding of whether internal control recommendations made by internal and external auditors have been implemented by management.

Financial reporting: Gained an understanding of the current areas of greatest financial risk and how management is managing these effectively. Asked management and the internal and external auditors about significant risks and exposures and the plans to minimise such risks.

Annual financial statements: Reviewed the annual financial statements and determined whether they are complete and consistent with the information known to committee members; assessed whether the financial statements reflect appropriate accounting principles. Met with management and the external auditors to review the financial statements and the results of the audit.

Internal audit: Reviewed the activities and organisational structure of the internal audit function and ensured no unjustified restrictions or limitations were made. Ensured that significant findings and recommendations made by the internal auditors were received and discussed on a timely basis. Ensured that management responded to recommendations by the internal auditors.

External audit: Reviewed the external auditors' proposed audit scope and approach and ensured no unjustified restrictions or limitations had been placed on the scope.

Reviewed the performance of the external auditors. Considered the independence of the external auditor, including reviewing the range of services provided in the context of all services acquired by MLC. Ensured that significant findings and recommendations made by the external auditors were received and discussed on a timely basis. Ensured that management responded to recommendations by the external auditors.

MLC's Management Committee

Management Committee members are responsible for ensuring that risks have been properly identified and assessed across their work areas. They are responsible for agreeing the risk register for their work areas and for ensuring that each department is actively addressing the risks and escalating risks up to the Management Committee for their attention as appropriate.

MLC's risk management team

This is described in detail on page 46.

Internal audit

MLC's Internal Audit function is outsourced to PricewaterhouseCoopers LLP (PwC), and operates to standards defined in the Government Internal Audit Standards. The Internal Audit function has a central role in assessing the robustness of the implementation of the risk management strategy across MLC. It provides information on the various strengths and weaknesses of the approach, and advises on where improvements are necessary and desirable for the good governance of MLC. The purpose, authority and responsibilities of Internal Audit are set out in MLC's Internal Audit Charter.

In accordance with the Government Internal Audit Standards, the scope of Internal Audit encompasses the whole of the MLC's risk management practices, governance practices and internal controls. PwC's agreed work plan is derived from MLC's assessment and evaluation of risks as documented in the risk register. PwC prepared an Internal Audit plan based on the risk profile determined in the register.

The Strategic and Annual Internal Audit plans were discussed and agreed with the Audit Committee on 23 February 2005, with modifications being agreed during the year. The Strategic Audit Plan identified key risks relevant to Internal Audit and the assurance to be provided on specified controls mitigating the risks. Completion of the programme identified in the strategic plan will allow PwC to report on a wider range of issues over time.

All reviews were completed in accordance with the agreed 2005/06 plan, or agreement reached to defer or cancel the scheduled reviews. These reviews are outlined below, together with other activity undertaken by Internal Audit:

- Health and safety audit to validate operational compliance with the five core aims of the MLC Health and Safety Policy and to benchmark existing processes against good practice.
- Levy data capture follow-up review to follow-up the progress in the implementation of the management action plan from our June 2004 internal audit report, which was a review of the methods applied by the MLC to capture accurate levy data, in order to assess the level of effectiveness of existing controls and the overall efficiency of the process.
- IT General Computer Controls Review to assess different aspects of the control environment on a rolling basis to include security of systems data and virus controls.
- Procurement audit to determine the adequacy of controls over the MLC's procurement processes and to establish whether the controls have been operating effectively during the period under review and have been compliant with EU Procurement Law.
- MLC Executive stakeholder satisfaction questionnaire development to monitor the effectiveness of the controls implemented to manage the service provided to key stakeholders of the corporate centre.
- Financial controls review of accounts payable, accounts receivable, general ledger and banking. This incorporated a review of the controls surrounding the collection of Levy income.

Internal audit

MLC's Internal Audit function is outsourced to PricewaterhouseCoopers LLP (PwC), and operates to standards defined in the Government Internal Audit Standards. The Internal Audit function has a central role in assessing the robustness of the implementation of the risk management strategy across MLC. It provides information on the various strengths and weaknesses of the approach, and advises on where improvements are necessary and desirable for the good governance of MLC. The purpose, authority and responsibilities of Internal Audit are set out in MLC's Internal Audit Charter.

In accordance with the Government Internal Audit Standards, the scope of Internal Audit encompasses the whole of the MLC's risk management practices, governance practices and internal controls. PwC's agreed work plan is derived from MLC's assessment and evaluation of risks as documented in the risk register. PwC prepared an Internal Audit plan based on the risk profile determined in the register.

The Strategic and Annual Internal Audit plans were discussed and agreed with the Audit Committee on 23 February 2005, with modifications being agreed during the year. The Strategic Audit Plan identified key risks relevant to Internal Audit and the assurance to be provided on specified controls mitigating the risks. Completion of the programme identified in the strategic plan will allow PwC to report on a wider range of issues over time.

All reviews were completed in accordance with the agreed 2005/06 plan, or agreement reached to defer or cancel the scheduled reviews. These reviews are outlined below, together with other activity undertaken by Internal Audit:

- Health and safety audit to validate operational compliance with the five core aims of the MLC Health and Safety Policy and to benchmark existing processes against good practice.
- Levy data capture follow-up review to follow-up the progress in the implementation of the management action plan from our June 2004 internal audit report, which was a review of the methods applied by the MLC to capture accurate levy data, in order to assess the level of effectiveness of existing controls and the overall efficiency of the process.
- IT General Computer Controls Review to assess different aspects of the control environment on a rolling basis to include security of systems data and virus controls.
- Procurement audit to determine the adequacy of controls over the MLC's procurement processes and to establish whether the controls have been operating effectively during the period under review and have been compliant with EU Procurement Law.
- MLC Executive stakeholder satisfaction questionnaire development to monitor the effectiveness of the controls implemented to manage the service provided to key stakeholders of the corporate centre.
- Financial controls review of accounts payable, accounts receivable, general ledger and banking. This incorporated a review of the controls surrounding the collection of Levy income.

MLC's Audit Committee

The broad thrust of MLC's Audit Committee Charter is that the Audit Committee supports the Accounting Officer with a constructive and challenging approach. The remit of the Audit Committee is defined to include advising the Accounting Officer on strategic processes for risk control, governance and the statement on internal control as well as considering the planned activity and results of both internal and external audit.

In reviewing the effectiveness of MLC's internal control the Audit Committee has undertaken the following key activities:

Internal control: Gained an understanding of whether internal control recommendations made by internal and external auditors have been implemented by management.

Financial reporting: Gained an understanding of the current areas of greatest financial risk and how management is managing these effectively. Asked management and the internal and external auditors about significant risks and exposures and the plans to minimise such risks.

Annual financial statements: Reviewed the annual financial statements and determined whether they are complete and consistent with the information known to committee members; assessed whether the financial statements reflect appropriate accounting principles. Met with management and the external auditors to review the financial statements and the results of the audit.

Internal audit: Reviewed the activities and organisational structure of the internal audit function and ensured no unjustified restrictions or limitations were made. Ensured that significant findings and recommendations made by the internal auditors were received and discussed on a timely basis. Ensured that management responded to recommendations by the internal auditors.

External audit: Reviewed the external auditors' proposed audit scope and approach and ensured no unjustified restrictions or limitations had been placed on the scope.

Reviewed the performance of the external auditors. Considered the independence of the external auditor, including reviewing the range of services provided in the context of all services acquired by MLC. Ensured that significant findings and recommendations made by the external auditors were received and discussed on a timely basis. Ensured that management responded to recommendations by the external auditors.

MLC's Management Committee

Management Committee members are responsible for ensuring that risks have been properly identified and assessed across their work areas. They are responsible for agreeing the risk register for their work areas and for ensuring that each department is actively addressing the risks and escalating risks up to the Management Committee for their attention as appropriate.

47

• Business planning review to assess the adequacy and effectiveness of the business planning process and the subsequent monitoring of performance against plan, including timetabling, alignment with Federal Bodies and completeness of information. The review also benchmarked existing processes against good practice.

• MLC Executive satisfaction review to establish the basis by which MLC Executive measures its performance in delivering services to the federal bodies, assist in assessing the current level of satisfaction with services provided by the MLC Executive and to identify opportunities for improvement and change where required.

• Make judgements and estimates on a reasonable basis.

• State whether applicable accounting standards have been followed and disclose any material departures in the financial statements.

• Prepare the financial statements on a going concern basis unless it is not appropriate to presume that MLC will continue in operation.

The Board of Commissioners confirms that it has complied with the above requirements in preparing the financial statements.

The Board of Commissioners is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of MLC and the group to enable them to ensure that the accounts comply with the Agriculture Act, as amended, 1967. It is also responsible for safeguarding the assets of the organisation and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of MLC's website is the responsibility of MLC; 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 accounts since they were initially presented on the website.

Each of the persons who is a director at the date of approval of this report confirms that:

(1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

(2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the organisation's auditors are aware of that information.

By order of the Meat and Livestock Commission

Kevin Roberts
Director General
Meat and Livestock Commission

49

• Business planning review to assess the adequacy and effectiveness of the business planning process and the subsequent monitoring of performance against plan, including timetabling, alignment with Federal Bodies and completeness of information. The review also benchmarked existing processes against good practice.

• MLC Executive satisfaction review to establish the basis by which MLC Executive measures its performance in delivering services to the federal bodies, assist in assessing the current level of satisfaction with services provided by the MLC Executive and to identify opportunities for improvement and change where required.

• Make judgements and estimates on a reasonable basis.

• State whether applicable accounting standards have been followed and disclose any material departures in the financial statements.

• Prepare the financial statements on a going concern basis unless it is not appropriate to presume that MLC will continue in operation.

The Board of Commissioners confirms that it has complied with the above requirements in preparing the financial statements.

The Board of Commissioners is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of MLC and the group to enable them to ensure that the accounts comply with the Agriculture Act, as amended, 1967. It is also responsible for safeguarding the assets of the organisation and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of MLC's website is the responsibility of MLC; 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 accounts since they were initially presented on the website.

Each of the persons who is a director at the date of approval of this report confirms that:

(1) so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and

(2) the director has taken all the steps that he ought to have taken as a director in order to make himself aware of any relevant audit information and to establish that the organisation's auditors are aware of that information.

By order of the Meat and Livestock Commission

Kevin Roberts
Director General
Meat and Livestock Commission

MLC responsibilities for the financial statements

- Business planning review to assess the adequacy and effectiveness of the business planning process and the subsequent monitoring of performance against plan, including timetabling, alignment with Federal Bodies and completeness of information. The review also benchmarked existing processes against good practice.
- MLC Executive satisfaction review to establish the basis by which MLC Executive measures its performance in delivering services to the federal bodies, assist in assessing the current level of satisfaction with services provided by the MLC Executive and to identify opportunities for improvement and change where required.

In summary, these reviews generated 11 high-level, 35 medium-level and nine low-level recommendations, a good proportion of which were actioned by management during the year; although a small number have been held over pending the outcome of the levy board review. In broad terms, good progress has been made in improving financial controls and continuing to embed controls to manage relationships between MLC's federal bodies.

In addition, PwC has been involved in the review and update of our Outstanding Issues Register to provide assurance that the control environment has been improved and recommended actions taken.

A monthly update report is provided to members of the Audit Committee, which provides them with a regular update on Internal Audit activity.

At the end of the year, the Internal Auditor reported that, overall, the controls reviewed were adequate. The areas reviewed were those identified through MLC's assessment and evaluation of risk. There is further scope to improve the risk management, governance and internal control processes in line with emerging best practice.

MLC responsibilities for the financial statements

Under the Agriculture Act, as amended, 1967 MLC is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State for Environment, Food and Rural Affairs and the Welsh Assembly Government with the consent of the Treasury. The accounts are prepared on an accruals basis and must show a true and fair view of the financial position of MLC and the group at the year-end and of the income and expenditure and cash flows of the group for the financial year.

In preparing the accounts MLC is required to:

- Observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis.

Meat and Livestock Commission

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament and the National Assembly for Wales

I certify that I have audited the financial statements of the Meat and Livestock Commission for the year ended 31 March 2006 under the Agriculture Act 1967 as amended by the Government Resources and Accounts Act 2000 (Audit of Public Bodies), Order 2003 and by the National Assembly for Wales (Transfer of Functions) Order 1999 (SI 1999/672) Schedule 1, Article 2. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

Respective responsibilities of the Meat and Livestock Commission, the Director General and auditor

The Commission and Director General are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Agriculture Act 1967 as amended and Ministerial and Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Commission's responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Agriculture Act 1967 as amended and Ministerial or Treasury directions made thereunder. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Commission has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 46 to 49 reflects the Commission's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Commission's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only: Sections 1 to 6 (on pages 4 to 40) and the unaudited part of the Remuneration



Report (on page 41). I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Commission and Director General in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Commission's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with Section 19 of the Agriculture Act 1967 as amended and directions made thereunder by Ministers and Treasury, of the state of the Commission's affairs as at 31 March 2006 and of its surplus for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Section 19 of the Agriculture Act 1967 as amended by Ministerial and Treasury directions made thereunder; and
- in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements.

John Bourn Comptroller and Auditor General National Audit Office

157-197 Buckingham Palace Road

Victoria

London SW1W 9SP

20 June 2006

Report (on page 41). I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Commission and Director General in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Commission's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with Section 19 of the Agriculture Act 1967 as amended and directions made thereunder by Ministers and Treasury, of the state of the Commission's affairs as at 31 March 2006 and of its surplus for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Section 19 of the Agriculture Act 1967 as amended by Ministerial and Treasury directions made thereunder; and
- in all material respects, the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I review whether the statement on pages 46 to 49 reflects the Commission's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Commission's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises only: Sections 1 to 6 (on pages 4 to 40) and the unaudited part of the Remuneration

20 June 2006

London SW1W 9SP

Victoria

157-197 Buckingham Palace Road

John Bourn Comptroller and Auditor General National Audit Office

157-197 Buckingham Palace Road

Victoria

London SW1W 9SP

20 June 2006

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament and the National Assembly for Wales

I certify that I have audited the financial statements of the Meat and Livestock Commission for the year ended 31 March 2006 under the Agriculture Act 1967 as amended by the Government Resources and Accounts Act 2000 (Audit of Public Bodies), Order 2003 and by the National Assembly for Wales (Transfer of Functions) Order 1999 (SI 1999/672) Schedule 1, Article 2. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them.

The Commission and Director General are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Agriculture Act 1967 as amended and Ministerial and Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Commission's responsibilities.

My responsibility is to audit the financial statements in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Agriculture Act 1967 as amended and Ministerial or Treasury directions made thereunder. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report to you if, in my opinion, the Annual Report is not consistent with the financial statements, if the Commission has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

Hybu Cig Cymru (Meat Promotion Wales)

The Report of the Comptroller and Auditor General to the Houses of Parliament and the National Assembly for Wales

The Meat and Livestock Commission delegated its activities in Wales to Hybu Cig Cymru (HCC). HCC is a company limited by guarantee and therefore has auditors appointed under the Companies Act. However, the Accounting Officer for the Meat and Livestock Commission retained accountability to Parliament for the activities of HCC. The Annual Report and Accounts of Hybu Cig Cymru are presented to the Houses of Parliament pursuant to Section 19 of the Agriculture Act 1967.

My staff have discussed the results of the audit process with the registered auditors of HCC for me to consider whether any issues have arisen for which I should make Parliament aware. I have no other observations to make.

John Bourn
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

20 June 2006

Hybu Cig Cymru (Meat Promotion Wales)

The Report of the Comptroller and Auditor General to the Houses of Parliament and the National Assembly for Wales

The Meat and Livestock Commission delegated its activities in Wales to Hybu Cig Cymru (HCC). HCC is a company limited by guarantee and therefore has auditors appointed under the Companies Act. However, the Accounting Officer for the Meat and Livestock Commission retained accountability to Parliament for the activities of HCC. The Annual Report and Accounts of Hybu Cig Cymru are presented to the Houses of Parliament pursuant to Section 19 of the Agriculture Act 1967.

My staff have discussed the results of the audit process with the registered auditors of HCC for me to consider whether any issues have arisen for which I should make Parliament aware. I have no other observations to make.

John Bourn
Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
Victoria
London SW1W 9SP

20 June 2006

Consolidated income and expenditure account

	Note	For the year ended 31 March 06			For the year ended 31 March 05
		Discontinued activities	Continuing activities	Total	
		£'000	£'000	£'000	£'000
Income					
Gross levy, fee and other income	3	5,456	42,304	47,760	47,792
Net levy transfers to QMS/HCC	3	-	(8,032)	(8,032)	(7,336)
HM Government agency and related services	4	-	2,151	2,151	2,245
		5,456	36,423	41,879	42,701
Expenditure					
Levy and other operating expenditure	3	(5,147)	(37,314)	(42,461)	(44,451)
HM Government agency and related services	4	-	(2,037)	(2,037)	(2,129)
		(5,147)	(39,351)	(44,498)	(46,580)
Deficit on ordinary activities before interest and taxation	12	309	(2,928)	(2,619)	(3,879)
Interest receivable	15			346	345
Other finance income	14(4)			2,900	4,100
Profit from sale of EFSIS				2,919	-
Surplus on ordinary activities before taxation				3,546	566
Taxation	16			(362)	(273)
Surplus for the year on ordinary activities after taxation				3,184	293
Minority interests				(87)	(57)
Reserves distribution to QMS	25			(571)	-
Retained surplus for the financial year				2,526	236
Allocated to accumulated funds					
General				4,813	1,624
Beef promotion				(1,210)	(906)
Lamb promotion				(1,242)	(877)
Pork and bacon promotion				165	395
	25			2,526	236

	Note	For the year ended 31 March 06			For the year ended 31 March 05
		Discontinued activities	Continuing activities	Total	
		£'000	£'000	£'000	£'000
Income					
Gross levy, fee and other income	3	5,456	42,304	47,760	47,792
Net levy transfers to QMS/HCC	3	-	(8,032)	(8,032)	(7,336)
HM Government agency and related services	4	-	2,151	2,151	2,245
		5,456	36,423	41,879	42,701
Expenditure					
Levy and other operating expenditure	3	(5,147)	(37,314)	(42,461)	(44,451)
HM Government agency and related services	4	-	(2,037)	(2,037)	(2,129)
		(5,147)	(39,351)	(44,498)	(46,580)
Deficit on ordinary activities before interest and taxation	12	309	(2,928)	(2,619)	(3,879)
Interest receivable	15			346	345
Other finance income	14(4)			2,900	4,100
Profit from sale of EFSIS				2,919	-
Surplus on ordinary activities before taxation				3,546	566
Taxation	16			(362)	(273)
Surplus for the year on ordinary activities after taxation				3,184	293
Minority interests				(87)	(57)
Reserves distribution to QMS	25			(571)	-
Retained surplus for the financial year				2,526	236
Allocated to accumulated funds					
General				4,813	1,624
Beef promotion				(1,210)	(906)
Lamb promotion				(1,242)	(877)
Pork and bacon promotion				165	395
	25			2,526	236

Consolidated income and expenditure account

Consolidated income and expenditure account (continued)

	Note	For the year ended 31 March 05		
		Discontinued activities	Continuing activities	Total
		£'000	£'000	£'000
Income				
Gross levy, fee and other income	3	6,437	41,355	47,792
Levy transfers to QMS/HCC	3	-	(7,336)	(7,336)
HM Government agency and related services	4	-	2,245	2,245
		6,437	36,264	42,701
Expenditure				
Levy and other operating expenditure	3	(6,211)	(38,240)	(44,451)
HM Government agency and related services	4	-	(2,129)	(2,129)
		(6,211)	(40,369)	(46,580)
Deficit on ordinary activities before interest and taxation	12	226	(4,105)	(3,879)

Statement of total recognised gains and losses

	For the year ended 31 March 06	For the year ended 31 March 05
	£'000	£'000
Surplus for the financial year	2,526	236
Actuarial loss recognised in the pension scheme (Note 14(5))	(1,900)	(700)
Surplus on revaluation of freehold property	1,412	-
Total gains and losses relating to the year	2,038	(464)

Statement of total recognised gains and losses

	For the year ended 31 March 06	For the year ended 31 March 05
	£'000	£'000
Surplus for the financial year	2,526	236
Actuarial loss recognised in the pension scheme (Note 14(5))	(1,900)	(700)
Surplus on revaluation of freehold property	1,412	-
Total gains and losses relating to the year	2,038	(464)

	For the year ended 31 March 05		Note	
	Continuing activities	Discontinued activities		
	£'000	£'000		
Income				
Gross levy, fee and other income	41,355	6,437	3	
Levy transfers to QMS/HCC	(7,336)	-	3	
HM Government agency and related services	2,245	-	4	
	42,701	6,437		
Expenditure				
Levy and other operating expenditure	(38,240)	(6,211)	3	
HM Government agency and related services	(2,129)	-	4	
	(40,369)	(6,211)		
Deficit on ordinary activities before interest and taxation	(4,105)	226	12	

Consolidated income and expenditure account (continued)

Consolidated balance sheet

	Note	As at 31 March 06		As at 31 March 05	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	17		5,814		4,674
Goodwill arising on acquisition	18		-		113
			5,814		4,787
Current assets					
Stocks	20		44		15
Debtors - amounts falling due within one year	21		4,544		8,329
Defra Fund	22		4,593		4,466
Short term investments - cash on deposit			2,500		5,000
PIDS Fund	23		67		65
Cash at bank and in hand			11,856		5,275
Creditors - amounts falling due within one year	24		23,604		23,186
			(11,314)		(11,925)
Net current assets			12,290		1,261
Total assets less current liabilities			18,104		16,048
Creditors - amounts falling due after more than one year	24		(82)		(911)
Provisions for liabilities and charges	22		(4,593)		(894)
Net assets excluding pension asset			13,429		11,149
Pension asset - MLC Pension Fund	14(6)		24,700		24,700
Net assets including pension asset			38,129		36,164
Capital and Reserves					
Accumulated funds					
Restricted fund - Pension	25		18,851		20,751
General	25		8,817		1,691
Beef promotion	25		1,958		3,181
Lamb promotion	25		2,148		3,390
Pork and bacon promotion	25		4,289		4,124
			17,212		14,673
Revaluation reserve	25		2,066		997
Minority interests			-		73
			38,129		36,164

The accounts were approved by the Board of Commissioners at a meeting on 25 May 2006 and signed on its behalf by:

P E Barr
CHAIRMAN

K J Roberts
DIRECTOR GENERAL

Consolidated balance sheet

	Note	As at 31 March 06		As at 31 March 05	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	17		5,814		4,674
Goodwill arising on acquisition	18		-		113
			5,814		4,787
Current assets					
Stocks	20		44		15
Debtors - amounts falling due within one year	21		4,544		8,329
Defra Fund	22		4,593		4,466
Short term investments - cash on deposit			2,500		5,000
PIDS Fund	23		67		65
Cash at bank and in hand			11,856		5,275
Creditors - amounts falling due within one year	24		23,604		23,186
			(11,314)		(11,925)
Net current assets			12,290		1,261
Total assets less current liabilities			18,104		16,048
Creditors - amounts falling due after more than one year	24		(82)		(911)
Provisions for liabilities and charges	22		(4,593)		(894)
Net assets excluding pension asset			13,429		11,149
Pension asset - MLC Pension Fund	14(6)		24,700		24,700
Net assets including pension asset			38,129		36,164
Capital and Reserves					
Accumulated funds					
Restricted fund - Pension	25		18,851		20,751
General	25		8,817		1,691
Beef promotion	25		1,958		3,181
Lamb promotion	25		2,148		3,390
Pork and bacon promotion	25		4,289		4,124
			17,212		14,673
Revaluation reserve	25		2,066		997
Minority interests			-		73
			38,129		36,164

The accounts were approved by the Board of Commissioners at a meeting on 25 May 2006 and signed on its behalf by:

P E Barr
CHAIRMAN

K J Roberts
DIRECTOR GENERAL

Commission balance sheet

	Note	As at 31 March 06		As at 31 March 05	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	17		5,814		4,640
Investments	19		-		-
			5,814		4,640
Current assets					
Stocks	20	44		51	
Debtors - amounts falling due within one year	21	4,165		7,521	
Defra Fund	22	4,593		4,466	
Short term investments - cash on deposit		2,500		5,000	
PIDS Fund	23	67		65	
Cash at bank and in hand		11,113		4,341	
		22,482		21,444	
Creditors - amounts falling due within one year	24	(10,965)		(10,183)	
Net current assets			11,517		11,261
Total assets less current liabilities			17,331		15,901
Creditors - amounts falling due after more than one year	24	(82)		(116)	
Provisions for liabilities and charges	22	(4,593)		(4,468)	
Net assets excluding pension asset			12,656		11,317
Pension asset - MLC Pension Fund	14(6)		24,700		24,700
Net assets including pension asset			37,356		36,017
Capital and Reserves					
Accumulated funds					
Restricted fund - Pension	25	18,851		20,751	
General	25	8,044		3,917	
Beef promotion	25	1,958		3,168	
Lamb promotion	25	2,148		3,390	
Pork and bacon promotion	25	4,289		4,124	
		16,439		14,599	
			35,290		35,350
Revaluation reserve	25	2,066		667	
		37,356		36,017	

The accounts were approved by the Board of Commissioners at a meeting on 25 May 2006 and signed on its behalf by:

P E Barr
CHAIRMAN

K J Roberts
DIRECTOR GENERAL

P E Barr CHAIRMAN
K J Roberts DIRECTOR GENERAL

The accounts were approved by the Board of Commissioners at a meeting on 25 May 2006 and signed on its behalf by:

	Note	As at 31 March 06		As at 31 March 05	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	17	5,814		4,640	
Investments	19	-		-	
		5,814		4,640	
Current assets					
Stocks	20	44		51	
Debtors - amounts falling due within one year	21	4,165		7,521	
Defra Fund	22	4,593		4,466	
Short term investments - cash on deposit		2,500		5,000	
PIDS Fund	23	67		65	
Cash at bank and in hand		11,113		4,341	
		22,482		21,444	
Creditors - amounts falling due within one year	24	(10,965)		(10,183)	
Net current assets			11,517		11,261
Total assets less current liabilities			17,331		15,901
Creditors - amounts falling due after more than one year	24	(82)		(116)	
Provisions for liabilities and charges	22	(4,593)		(4,468)	
Net assets excluding pension asset			12,656		11,317
Pension asset - MLC Pension Fund	14(6)		24,700		24,700
Net assets including pension asset			37,356		36,017
Capital and Reserves					
Accumulated funds					
Restricted fund - Pension	25	18,851		20,751	
General	25	8,044		3,917	
Beef promotion	25	1,958		3,168	
Lamb promotion	25	2,148		3,390	
Pork and bacon promotion	25	4,289		4,124	
		16,439		14,599	
			35,290		35,350
Revaluation reserve	25	2,066		667	
		37,356		36,017	

Commission balance sheet

Notes to accounts

I. Accounting policies

Accounting convention

The accounts have been prepared under the historical cost convention, as modified by the revaluation of freehold properties, in the form directed by the Secretary of State for Environment, Food and Rural Affairs with the approval of the Treasury in accordance with Section 19(2) of the Agriculture Act 1967.

The accounts are prepared in accordance with the Non-Departmental Public Bodies' Annual Reports and Accounts Guidance and meet the provisions of the Companies Act 1985 and conform with applicable United Kingdom Accounting Standards. A summary of the more important accounting policies, which have been applied consistently, is set out below.

MLC has fully adopted the accounting requirements of FRS 17 - retirement benefits.

Consolidation

MLC's subsidiaries have been consolidated with the results of MLC under the acquisition method of accounting. Here, the whole of the assets, liabilities, revenues and expenses of the subsidiaries are combined with those of MLC. The figures for Minority Interests indicate how much of the profits and net assets are attributable to the interests of stakeholders in subsidiaries which are not wholly owned by the group.

Tangible fixed assets

Tangible fixed assets are stated at cost, except freehold properties which are stated at annual valuation. Net surpluses arising out of the inclusion of property valuations in the accounts are taken to the revaluation reserve.

Depreciation is provided so as to write off the net cost or valuation of tangible fixed assets over their estimated useful lives. The following annual rates of depreciation are applied on a straight-line basis:

Freehold property:	2.5%	- 10%
Motor vehicles:	33.3%	- 40%
Equipment:	20%	- 33.3%

Freehold land is not depreciated.

Stocks

Animal stocks relate to livestock at MLC's pig development unit at Stotfold. Livestock is stated at the prevailing market value.

Ancillary farm stocks and other materials are stated at the lower of cost and net realisable value.

Levy income

Levy income is based on the latest available estimates of slaughterings and known exports of live animals and excludes value added tax.

HM Government agency reimbursement

For the year ended 31 March 2006 the charge for these services was made on a purely commercial basis, by reference to a commercial agreement which came into effect from 1 May 2001. Income recognised here is based on goods and services provided during the year and excludes value added tax.

Fee and other income

Fee income is based on goods and services provided during the year and excludes value added tax.

Grant income is recognised at the time that the associated expenditure is incurred.

Grants payable

Grants payable are charged to the income and expenditure account when the obligation to pay arises.

Investment income

Investment income is accounted for on an accruals basis.

Redundancy compensation

The cost of immediate and future payments is provided for in the year when MLC has committed to making staff redundant and this has been announced. Where such payments fall due after more than one year, and are refundable by the Rural Payments Agency, they are offset against the total liability.

Taxation

The financial statements reflect a policy that MLC is liable for taxation on its commercial surpluses, as adjusted for non-taxable items of income and expenditure. Provision is only made for taxation liabilities which, under current legislation, are expected to crystallise in the foreseeable future.

Deferred taxation

Deferred tax is provided in full on timing differences, which result in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no intention to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Notes to accounts

I. Accounting policies

Accounting convention

The accounts have been prepared under the historical cost

convention, as modified by the revaluation of freehold properties, in the form directed by the Secretary of State for Environment, Food and Rural Affairs with the approval of the Treasury in accordance with Section 19(2) of the Agriculture Act 1967.

The accounts are prepared in accordance with the Non-Departmental Public Bodies' Annual Reports and Accounts Guidance and meet the provisions of the Companies Act 1985 and conform with applicable United Kingdom Accounting Standards. A summary of the more important accounting policies, which have been applied consistently, is set out below.

MLC has fully adopted the accounting requirements of FRS 17 - retirement benefits.

Consolidation

MLC's subsidiaries have been consolidated with the results of MLC

under the acquisition method of accounting. Here, the whole of the assets, liabilities, revenues and expenses of the subsidiaries are combined with those of MLC. The figures for Minority Interests indicate how much of the profits and net assets are attributable to the interests of stakeholders in subsidiaries which are not wholly owned by the group.

Tangible fixed assets

Tangible fixed assets are stated at cost, except freehold properties

which are stated at annual valuation. Net surpluses arising out of the inclusion of property valuations in the accounts are taken to the revaluation reserve.

straight-line basis:

Freehold property:	2.5%	- 10%
Motor vehicles:	33.3%	- 40%
Equipment:	20%	- 33.3%

Freehold land is not depreciated.

Stocks

Animal stocks relate to livestock at MLC's pig development unit

at Stotfold. Livestock is stated at the prevailing market value.

Ancillary farm stocks and other materials are stated at the lower of cost and net realisable value.

Levy income

Levy income is based on the latest available estimates of

slaughterings and known exports of live animals and excludes value added tax.

HM Government agency reimbursement

For the year ended 31 March 2006 the charge for these services

was made on a purely commercial basis, by reference to a commercial agreement which came into effect from 1 May 2001. Income recognised here is based on goods and services provided during the year and excludes value added tax.

Fee and other income

Fee income is based on goods and services provided during the

year and excludes value added tax.

Grants payable

Grants payable are charged to the income and expenditure

account when the obligation to pay arises.

Investment income

Investment income is accounted for on an accruals basis.

Redundancy compensation

The cost of immediate and future payments is provided for in the

year when MLC has committed to making staff redundant and this has been announced. Where such payments fall due after more than one year, and are refundable by the Rural Payments Agency, they are offset against the total liability.

Taxation

The financial statements reflect a policy that MLC is liable for

taxation on its commercial surpluses, as adjusted for non-taxable items of income and expenditure. Provision is only made for taxation liabilities which, under current legislation, are expected to crystallise in the foreseeable future.

Deferred taxation

Deferred tax is provided in full on timing differences, which result

in an obligation at the balance sheet date to pay more tax, or a right to pay less tax, at a future date, at rates expected to apply when they crystallise based on current tax rates and law. Timing differences arise from the inclusion of items of income and expenditure in taxation computations in periods different from those in which they are included in financial statements. Deferred tax is not provided on timing differences arising from the revaluation of fixed assets where there is no intention to sell the asset. Deferred tax assets are recognised to the extent that it is regarded as more likely than not that they will be recovered. Deferred tax assets and liabilities are not discounted.

Leases

The costs of operating leases are charged to the income and expenditure account on a straight-line basis over the lease term.

Repairs and renewals

Repairs and renewals expenditure is charged to the income and expenditure account when incurred.

Pensions

The amounts charged to operating surplus in respect of the defined benefit scheme is the current service cost and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the income and expenditure account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

Research and development

Expenditure on research and development is charged to the income and expenditure account as incurred.

Foreign currency translation

MLC translates those of its currency transactions that are outstanding at the end of the year using the rate of exchange at the balance sheet date.

MLC includes exchange differences that have arisen on transactions completed during the year in its income and expenditure account.

Goodwill

Goodwill is calculated as the difference between the net realisable value of assets acquired and the consideration paid for those assets.

Goodwill is amortised, on a straight-line basis, over the period of its anticipated useful economic life (see note 18, Goodwill).

Leases

The costs of operating leases are charged to the income and expenditure account on a straight-line basis over the lease term.

Repairs and renewals

Repairs and renewals expenditure is charged to the income and expenditure account when incurred.

Pensions

The amounts charged to operating surplus in respect of the defined benefit scheme is the current service cost and gains and losses on settlements and curtailments. They are included as part of staff costs. Past service costs are recognised immediately in the income and expenditure account if the benefits have vested. If the benefits have not vested immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

Research and development

Expenditure on research and development is charged to the income and expenditure account as incurred.

Foreign currency translation

MLC translates those of its currency transactions that are outstanding at the end of the year using the rate of exchange at the balance sheet date.

MLC includes exchange differences that have arisen on transactions completed during the year in its income and expenditure account.

Goodwill

Goodwill is calculated as the difference between the net realisable value of assets acquired and the consideration paid for those assets. Goodwill is amortised, on a straight-line basis, over the period of its anticipated useful economic life (see note 18, Goodwill).

MLC has set itself the target of improving staff productivity ratios by 2.5% per annum.

been set at 100%.

MLC has set itself the target of making services self-funding - a target for services to industry income as a percentage of expenditure has

Performance indicators	2005/06 Actual	2005/06 Target	2004/05 Actual	2003/04 Actual	2002/03 Actual	2001/02 Actual
MLC has set itself the target of making services self-funding - a target for services to industry income as a percentage of expenditure	103.46	100.00	103.62	102.64	108.45	110.07
MLC is seeking further improvements in staff productivity	0.22	0.21	0.22	0.23	0.20	0.20
MLC seeks to restrict long-term borrowings to a minimum	6.90	7.02	7.20	7.70	6.20	6.80
Long-term borrowings as a percentage of capital and reserves	0.00%	0.00%	0.00%	0.00%	0.00%	0.27%

Summary results - Group	2005/06	2004/05	2003/04	2002/03	2001/02
Gross levy (inc PIDS levy)	27.9	26.3	26.8	29.6	27.0
Net levy transfers to QMS/HCC	(8.0)	(7.0)	(7.0)	-	-
Fee and other income	19.8	21.1	21.7	25.2	27.2
HM Government agency	2.2	2.3	2.5	2.1	1.8
Total operating income	41.9	42.7	44.0	56.9	56.0
Operating expenditure	(44.5)	(46.6)	(43.2)	(46.6)	(54.9)
Operating (deficit)/surplus	(2.6)	(3.9)	0.8	10.3	1.1
Other net income/(expenditure)					
- Interest	0.3	0.3	0.2	(0.1)	-
- Other finance income	2.9	4.1	2.7	4.1	-
- Profit from sale of EFSIS	2.9	-	-	-	-
- Taxation	(0.3)	(0.3)	(0.2)	(1.4)	(0.6)
- Minority interests	(0.1)	-	-	-	-
- Reserves distribution to QMS	(0.6)	-	-	-	-
Surplus for the year	2.5	0.2	3.5	12.9	0.5

2. Financial performance

Notes to accounts

Notes to accounts

2. Financial performance

	2005/06	2004/05	2003/04	2002/03	2001/02
	£m	£m	£m	£m	£m
Summary results - Group					
Gross levy (inc PIDS levy)	27.9	26.3	26.8	29.6	27.0
Net levy transfers to QMS/HCC	(8.0)	(7.0)	(7.0)	-	-
Fee and other income	19.8	21.1	21.7	25.2	27.2
HM Government agency	2.2	2.3	2.5	2.1	1.8
Total operating income	41.9	42.7	44.0	56.9	56.0
Operating expenditure	(44.5)	(46.6)	(43.2)	(46.6)	(54.9)
Operating (deficit)/surplus	(2.6)	(3.9)	0.8	10.3	1.1
Other net income/(expenditure)					
- Interest	0.3	0.3	0.2	(0.1)	-
- Other finance income	2.9	4.1	2.7	4.1	-
- Profit from sale of EFSIS	2.9	-	-	-	-
- Taxation	(0.3)	(0.3)	(0.2)	(1.4)	(0.6)
- Minority interests	(0.1)	-	-	-	-
- Reserves distribution to QMS	(0.6)	-	-	-	-
Surplus for the year	2.5	0.2	3.5	12.9	0.5

	2005/06 Actual	2005/06 Target	2004/05 Actual	2003/04 Actual	2002/03 Actual	2001/02 Actual
Performance indicators						
MLC has set itself the target of making services self-funding						
Services to industry income as a percentage of expenditure	103.46	100.00	103.62	102.64	108.45	110.07
MLC is seeking further improvements in staff productivity						
Staff costs per £1 expenditure of levy dependent activities	0.22	0.21	0.22	0.23	0.20	0.20
MLC seeks to restrict long-term borrowings to a minimum						
Staff numbers per £1 million expenditure of levy dependent activities (adjusted for changes in the Retail Price Index)	6.90	7.02	7.20	7.70	6.20	6.80
Long-term borrowings as a percentage of capital and reserves	0.00%	0.00%	0.00%	0.00%	0.00%	0.27%

MLC has set itself the target of making services self-funding - a target for services to industry income as a percentage of expenditure has been set at 100%.

MLC has set itself the target of improving staff productivity ratios by 2.5% per annum.

3. Analysis of levy, fee and other income and expenditure

	General fund	Species promotion funds			Total
		Beef	Lamb	Pork and bacon	
	Note 5	9	10	11	
For the year ended 31 March 2006	£'000	£'000	£'000	£'000	£'000
Income					
Gross levy	12,618	4,807	5,299	5,172	27,896
Net levy transfer to QMS (Note 29)	(1,891)	(1,300)	(482)	(438)	(4,111)
Net levy transfer to HCC (Note 29)	(1,915)	(353)	(1,637)	(16)	(3,921)
Net levy transfer from HCC	10	-	-	16	26
Fee and other income	19,536	285	-	17	19,838
Total income	28,358	3,439	3,180	4,751	39,728
Expenditure					
Expenses of levy collection	(248)	(63)	(142)	(88)	(541)
Operating expenditure	(28,817)	(4,169)	(4,342)	(4,592)	(41,920)
Total expenditure	(29,065)	(4,232)	(4,484)	(4,680)	(42,461)
Deficit on levy, fee and other income	(707)	(793)	(1,304)	71	(2,733)
For the year ended 31 March 2005					
Income					
Gross levy	11,865	4,365	4,956	5,147	26,333
Net levy transfer to QMS (Note 29)	(1,788)	(1,183)	(465)	(464)	(3,900)
Net levy transfer to HCC (Note 29)	(1,678)	(317)	(1,428)	(13)	(3,436)
Net levy transfer from HCC	299	-	-	13	312
Fee and other income	21,068	-	65	14	21,147
Total income	29,766	2,865	3,128	4,697	40,456
Expenditure					
Expenses of levy collection	(244)	(59)	(141)	(90)	(534)
Operating expenditure	(31,889)	(3,788)	(3,645)	(4,295)	(41,617)
Total expenditure	(32,133)	(3,847)	(4,086)	(4,385)	(44,451)
Deficit on levy, fee and other income	(2,367)	(982)	(858)	312	(665)

	General fund	Species promotion funds			Total
		Beef	Lamb	Pork and bacon	
	Note 5	9	10	11	
For the year ended 31 March 2006	£'000	£'000	£'000	£'000	£'000
Income					
Gross levy	12,618	4,807	5,299	5,172	27,896
Net levy transfer to QMS (Note 29)	(1,891)	(1,300)	(482)	(438)	(4,111)
Net levy transfer to HCC (Note 29)	(1,915)	(353)	(1,637)	(16)	(3,921)
Net levy transfer from HCC	10	-	-	16	26
Fee and other income	19,536	285	-	17	19,838
Total income	28,358	3,439	3,180	4,751	39,728
Expenditure					
Expenses of levy collection	(248)	(63)	(142)	(88)	(541)
Operating expenditure	(28,817)	(4,169)	(4,342)	(4,592)	(41,920)
Total expenditure	(29,065)	(4,232)	(4,484)	(4,680)	(42,461)
Deficit on levy, fee and other income	(707)	(793)	(1,304)	71	(2,733)
For the year ended 31 March 2005					
Income					
Gross levy	11,865	4,365	4,956	5,147	26,333
Net levy transfer to QMS (Note 29)	(1,788)	(1,183)	(465)	(464)	(3,900)
Net levy transfer to HCC (Note 29)	(1,678)	(317)	(1,428)	(13)	(3,436)
Net levy transfer from HCC	299	-	-	13	312
Fee and other income	21,068	-	65	14	21,147
Total income	29,766	2,865	3,128	4,697	40,456
Expenditure					
Expenses of levy collection	(244)	(59)	(141)	(90)	(534)
Operating expenditure	(31,889)	(3,788)	(3,645)	(4,295)	(41,617)
Total expenditure	(32,133)	(3,847)	(4,086)	(4,385)	(44,451)
Deficit on levy, fee and other income	(2,367)	(982)	(858)	312	(665)

3. Analysis of levy, fee and other income and expenditure

Notes to accounts

4. HM Government Agency and related services

	For the year ended 31 March 06	For the year ended 31 March 05
	£'000	£'000
Income		
Rural Payments Agency	1,991	2,040
Agriculture Departments	160	205
	2,151	2,245
Expenditure		
Market Support measures for the Rural Payments Agency	(1,890)	(1,937)
Price reporting on behalf of Agriculture Departments	(147)	(192)
	(2,037)	(2,129)
Surplus (Note 5)	114	116

	For the year ended 31 March 06	For the year ended 31 March 05
Income	£'000	£'000
Rural Payments Agency	1,991	2,040
Agriculture Departments	160	205
	2,151	2,245
Expenditure		
Market Support measures for the Rural Payments Agency	(1,890)	(1,937)
Price reporting on behalf of Agriculture Departments	(147)	(192)
	(2,037)	(2,129)
Surplus (Note 5)	114	116

4. HM Government Agency and related services

Notes to accounts

5. MLC Group: General fund

	For the year ended 31 March 06			For the year ended 31 March 05
	Discontinued activities	Continuing activities	Total	
	£'000	£'000	£'000	£'000
Income				
Gross levy	-	12,618	12,618	11,865
Expenses of collection	-	(248)	(248)	(244)
Net levy before transfers to QMS/HCC	-	12,370	12,370	11,621
Net levy transfer to QMS (Note 29)	-	(1,891)	(1,891)	(1,788)
Net levy transfer to HCC (Note 29)	-	(1,615)	(1,615)	(1,678)
Net levy transfers from HCC	-	10	10	299
Net levy after transfers (to)/from QMS/HCC	-	8,574	8,574	8,454
Fee income				
Marketing	-	1,308	1,308	457
Export marketing	-	41	41	111
Industry development	-	1,881	1,881	2,524
Commercial services	5,456	7,179	12,635	14,451
Science and technology transfer	-	1,057	1,057	1,537
Other income	-	1,185	1,185	545
External devolved body "buy-back"	-	1,429	1,429	1,443
	5,456	14,080	19,536	21,068
Total net income	5,456	22,654	28,110	29,522
Operating expenditure				
Marketing	-	(1,459)	(1,459)	(2,793)
Export marketing	-	(1,091)	(1,091)	(1,207)
Industry development	-	(3,999)	(3,999)	(3,528)
Commercial services	(5,147)	(7,108)	(12,255)	(13,984)
Research	-	(1,321)	(1,321)	(1,276)
Science and technology transfer	-	(3,422)	(3,422)	(2,954)
Industry communications and species management	-	(2,726)	(2,726)	(1,481)
Other expenditure	-	(679)	(679)	(366)
Current pension service cost (Note 14(4))	-	(2,400)	(2,400)	(2,300)
Pension curtailment gain (Note 14(4))	-	535	535	-
Total operating expenditure	(5,147)	(23,670)	(28,817)	(31,889)
Deficit on ordinary activities before interest	309	(1,016)	(707)	(2,367)
Interest allocation (Note 15)			127	105
Other finance income (Note 14(4))			2,900	4,100
Profit from sale of EFSIS			2,919	-
Surplus on ordinary activities before taxation			5,239	1,838
Taxation (Note 16)			(362)	(273)
Surplus for the year on ordinary activities after taxation			4,877	1,565
Minority interests			(87)	(57)
Surplus for the year on ordinary activities after minority interests			4,790	1,508
Surplus on HM Government agency and related services (Note 4)			114	116
Reserves distribution to QMS (Note 25)			(91)	-
Surplus for the financial year (Note 25)			4,813	1,624

	For the year ended 31 March 06			For the year ended 31 March 05
	Discontinued activities	Continuing activities	Total	
	£'000	£'000	£'000	£'000
Income				
Gross levy	-	12,618	12,618	11,865
Expenses of collection	-	(248)	(248)	(244)
Net levy before transfers to QMS/HCC	-	12,370	12,370	11,621
Net levy transfer to HCC (Note 29)	-	(1,891)	(1,891)	(1,788)
Net levy transfer to QMS (Note 29)	-	(1,615)	(1,615)	(1,678)
Net levy transfers from HCC	-	10	10	299
Net levy after transfers (to)/from QMS/HCC	-	8,574	8,574	8,454
Fee income				
Marketing	-	1,308	1,308	457
Export marketing	-	41	41	111
Industry development	-	1,881	1,881	2,524
Commercial services	5,456	7,179	12,635	14,451
Science and technology transfer	-	1,057	1,057	1,537
Other income	-	1,185	1,185	545
External devolved body "buy-back"	-	1,429	1,429	1,443
	5,456	14,080	19,536	21,068
Total net income	5,456	22,654	28,110	29,522
Operating expenditure				
Marketing	-	(1,459)	(1,459)	(2,793)
Export marketing	-	(1,091)	(1,091)	(1,207)
Industry development	-	(3,999)	(3,999)	(3,528)
Commercial services	(5,147)	(7,108)	(12,255)	(13,984)
Research	-	(1,321)	(1,321)	(1,276)
Science and technology transfer	-	(3,422)	(3,422)	(2,954)
Industry communications and species management	-	(2,726)	(2,726)	(1,481)
Other expenditure	-	(679)	(679)	(366)
Current pension service cost (Note 14(4))	-	(2,400)	(2,400)	(2,300)
Pension curtailment gain (Note 14(4))	-	535	535	-
Total operating expenditure	(5,147)	(23,670)	(28,817)	(31,889)
Deficit on ordinary activities before interest	309	(1,016)	(707)	(2,367)
Interest allocation (Note 15)			127	105
Other finance income (Note 14(4))			2,900	4,100
Profit from sale of EFSIS			2,919	-
Surplus on ordinary activities before taxation			5,239	1,838
Taxation (Note 16)			(362)	(273)
Surplus for the year on ordinary activities after taxation			4,877	1,565
Minority interests			(87)	(57)
Surplus for the year on ordinary activities after minority interests			4,790	1,508
Surplus on HM Government agency and related services (Note 4)			114	116
Reserves distribution to QMS (Note 25)			(91)	-
Surplus for the financial year (Note 25)			4,813	1,624

5. MLC Group: General fund

Notes to accounts

6. EBLEX: General fund

	For the year ended 31 March 06			For the year ended 31 March 05
	Discontinued activities	Continuing activities	Total	
	£'000	£'000	£'000	£'000
Income				
Gross levy	-	5,823	5,823	5,451
Expenses of collection	-	(119)	(119)	(118)
Net levy before transfers to QMS/HCC	-	5,704	5,704	5,333
Net levy transfer to QMS (Note 29)	-	-	-	-
Net levy transfer to HCC (Note 29)	-	-	-	-
Net levy transfers from HCC	-	-	-	-
Net levy after transfers (to)/from QMS/HCC	-	5,704	5,704	5,333
Fee income				
Marketing	-	1,270	1,270	305
Export marketing	-	27	27	74
Industry development	-	1,254	1,254	1,683
Commercial services	-	-	-	-
Science and technology transfer	-	601	601	725
Other income	-	989	989	542
External devolved body "buy-back"	-	-	-	-
	-	4,141	4,141	3,329
Total net income	-	9,845	9,845	8,662
Operating expenditure				
Marketing	-	(2,027)	(2,027)	(1,564)
Export marketing	-	(345)	(345)	(504)
Industry development	-	(2,802)	(2,802)	(2,104)
Commercial services	-	-	-	-
Research	-	(106)	(106)	(280)
Science and technology transfer	-	(2,015)	(2,015)	(1,168)
Industry communications and species management	-	(1,780)	(1,780)	(2,324)
Other expenditure	-	-	-	-
Current pension service cost (Note 14(4))	-	-	-	-
Pension curtailment gain (Note 14(4))	-	-	-	-
Total operating expenditure	-	(9,075)	(9,075)	(7,944)
Surplus on ordinary activities before interest	-	770	770	718
Interest allocation (Note 15)	-	-	-	-
Other finance income (Note 14(4))	-	-	-	-
Profit from sale of EFSIS	-	-	-	-
Surplus on ordinary activities before taxation	-	770	770	718
Taxation (Note 16)	-	-	-	-
Surplus on ordinary activities after taxation	-	770	770	718
Minority interests	-	-	-	-
Surplus for the year on ordinary activities after minority interests	-	770	770	718
Surplus on HM Government agency and related services (Note 4)	-	-	-	-
Reserves distribution to QMS (Note 25)	-	-	-	-
Surplus for the financial year	-	770	770	718

The above analysis details EBLEX's direct share of general fund operating expenditure. Please note that the total of the analyses detailed in notes 6 and 7 does not equal the total group general fund analysis presented in note 5.

The above analysis details EBLEX's direct share of general fund operating expenditure. Please note that the total of the analyses detailed in notes 6 and 7 does not equal the total group general fund analysis presented in note 5.

For the year ended 31 March 05	For the year ended 31 March 06		
	Discontinued activities	Continuing activities	Total
£'000	£'000	£'000	£'000
Income			
Gross levy	-	5,823	5,451
Expenses of collection	-	(119)	(118)
Net levy before transfers to QMS/HCC	-	5,704	5,333
Net levy transfer to HCC (Note 29)	-	-	-
Net levy transfer to QMS (Note 29)	-	-	-
Net levy transfers from HCC	-	-	-
Net levy after transfers (to)/from QMS/HCC	-	5,704	5,333
Fee income			
Marketing	-	1,270	305
Export marketing	-	27	74
Industry development	-	1,254	1,683
Commercial services	-	-	-
Science and technology transfer	-	601	725
Other income	-	989	542
External devolved body "buy-back"	-	-	-
Total net income	-	9,845	8,662
Operating expenditure			
Marketing	-	(2,027)	(1,564)
Export marketing	-	(345)	(504)
Industry development	-	(2,802)	(2,104)
Commercial services	-	-	-
Research	-	(106)	(280)
Science and technology transfer	-	(2,015)	(1,168)
Industry communications and species management	-	(1,780)	(2,324)
Other expenditure	-	-	-
Current pension service cost (Note 14(4))	-	-	-
Pension curtailment gain (Note 14(4))	-	-	-
Total operating expenditure	-	(9,075)	(7,944)
Surplus on ordinary activities before interest	-	770	718
Interest allocation (Note 15)	-	-	-
Other finance income (Note 14(4))	-	-	-
Profit from sale of EFSIS	-	-	-
Surplus on ordinary activities before taxation	-	770	718
Taxation (Note 16)	-	-	-
Surplus on ordinary activities after taxation	-	770	718
Minority interests	-	-	-
Surplus for the year on ordinary activities after minority interests	-	770	718
Surplus on HM Government agency and related services (Note 4)	-	-	-
Reserves distribution to QMS (Note 25)	-	-	-
Surplus for the financial year	-	770	718

6. EBLEX: General fund

Notes to accounts

7. BPEX: General fund

	For the year ended 31 March 06			For the year ended 31 March 05
	Discontinued activities	Continuing activities	Total	
	£'000	£'000	£'000	£'000
Income				
Gross levy	-	2,909	2,909	2,873
Expenses of collection	-	(49)	(49)	(49)
Net levy before transfers to QMS/HCC	-	2,860	2,860	2,824
Net levy transfer to QMS (Note 29)	-	-	-	-
Net levy transfer to HCC (Note 29)	-	-	-	-
Net levy transfers from HCC	-	10	10	299
Net levy after transfers (to)/from QMS/HCC	-	2,870	2,870	3,123
Fee income				
Marketing	-	38	38	152
Export marketing	-	14	14	37
Industry development	-	627	627	841
Commercial services	-	-	-	-
Science and technology transfer	-	456	456	812
Other income	-	196	196	3
External devolved body "buy-back"	-	-	-	-
	-	1,331	1,331	1,845
Total net income	-	4,201	4,201	4,968
Operating expenditure				
Marketing	-	-	-	(806)
Export marketing	-	-	-	(402)
Industry development	-	(1,024)	(1,024)	(1,176)
Commercial services	-	-	-	-
Research	-	(816)	(816)	(875)
Science and technology transfer	-	(1,407)	(1,407)	(1,529)
Industry communications and species management	-	(267)	(267)	(657)
Other expenditure	-	-	-	-
Current pension service cost (Note 14(4))	-	-	-	-
Pension curtailment gain (Note 14(4))	-	-	-	-
Total operating expenditure	-	(3,514)	(3,514)	(5,445)
Surplus/(deficit) on ordinary activities before interest	-	687	687	(477)
Interest allocation (Note 15)	-	-	-	-
Other finance income (Note 14(4))	-	-	-	-
Profit from sale of EFSIS	-	-	-	-
Surplus/(deficit) on ordinary activities before taxation	-	687	687	(477)
Taxation (Note 16)	-	-	-	-
Surplus/(deficit) on ordinary activities after taxation	-	687	687	(477)
Minority interests	-	-	-	-
Surplus/(deficit) for the year on ordinary activities after minority interests	-	687	687	(477)
Surplus on HM Government agency and related services (Note 4)	-	-	-	-
Reserves distribution to QMS (Note 25)	-	-	-	-
Surplus/(deficit) for the financial year	-	687	687	(477)

The above analysis details BPEX's direct share of general fund operating expenditure. Please note that the total of the analyses detailed in notes 6 and 7 does not equal the total group general fund analysis presented in note 5.

The above analysis details BPEX's direct share of general fund operating expenditure. Please note that the total of the analyses detailed in notes 6 and 7 does not equal the total group general fund analysis presented in note 5.

	For the year ended 31 March 06			For the year ended 31 March 05
	Discontinued activities	Continuing activities	Total	
	£'000	£'000	£'000	£'000
Income				
Gross levy	-	2,909	2,909	2,873
Expenses of collection	-	(49)	(49)	(49)
Net levy before transfers to QMS/HCC	-	2,860	2,860	2,824
Net levy transfer to HCC (Note 29)	-	-	-	-
Net levy transfer to QMS (Note 29)	-	-	-	-
Net levy transfers from HCC	-	10	10	299
Net levy after transfers (to)/from QMS/HCC	-	2,870	2,870	3,123
Fee income				
Marketing	-	38	38	152
Export marketing	-	14	14	37
Industry development	-	627	627	841
Commercial services	-	-	-	-
Science and technology transfer	-	456	456	812
Other income	-	196	196	3
External devolved body "buy-back"	-	-	-	-
	-	1,331	1,331	1,845
Total net income	-	4,201	4,201	4,968
Operating expenditure				
Marketing	-	-	-	(806)
Export marketing	-	-	-	(402)
Industry development	-	(1,024)	(1,024)	(1,176)
Commercial services	-	-	-	-
Research	-	(816)	(816)	(875)
Science and technology transfer	-	(1,407)	(1,407)	(1,529)
Industry communications and species management	-	(267)	(267)	(657)
Other expenditure	-	-	-	-
Current pension service cost (Note 14(4))	-	-	-	-
Pension curtailment gain (Note 14(4))	-	-	-	-
Total operating expenditure	-	(3,514)	(3,514)	(5,445)
Surplus/(deficit) on ordinary activities before interest	-	687	687	(477)
Interest allocation (Note 15)	-	-	-	-
Other finance income (Note 14(4))	-	-	-	-
Profit from sale of EFSIS	-	-	-	-
Surplus/(deficit) on ordinary activities before taxation	-	687	687	(477)
Taxation (Note 16)	-	-	-	-
Surplus/(deficit) on ordinary activities after taxation	-	687	687	(477)
Minority interests	-	-	-	-
Surplus/(deficit) for the year on ordinary activities after minority interests	-	687	687	(477)
Surplus on HM Government agency and related services (Note 4)	-	-	-	-
Reserves distribution to QMS (Note 25)	-	-	-	-
Surplus/(deficit) for the financial year	-	687	687	(477)

7. BPEX: General fund



Notes to accounts

8. MLC Group: Combined promotion funds

	For the year ended 31 March 06	For the year ended 31 March 05
	£'000	£'000
Income		
Gross levy	15,278	14,468
Expenses of collection	(293)	(290)
Net levy before transfers to QMS/HCC	14,985	14,178
Net levy transfer to QMS (Note 29)	(2,220)	(2,112)
Net levy transfer to HCC (Note 29)	(2,006)	(1,758)
Net levy transfers from HCC	16	13
Net levy after transfers to QMS/HCC	10,775	10,321
Fee income	302	79
Total net income	11,077	10,400
Operating expenditure		
Consumer advertising and promotion	(6,380)	(6,416)
Trade development and promotion	(3,489)	(3,057)
Food service	(1,048)	(1,163)
Consumer research	(346)	(260)
European Quality Beef	(593)	(127)
Export trade development	(599)	(339)
Supply chain	(648)	(666)
Total operating expenditure	(13,103)	(12,028)
Operating deficit on ordinary activities before interest	(2,026)	(1,628)
Interest allocation (Note 15)	219	240
Deficit on ordinary activities before taxation	(1,807)	(1,388)
Taxation (Note 16)	-	-
Deficit for the year on ordinary activities after taxation	(1,807)	(1,388)
Reserves distribution to QMS (Note 25)	(480)	-
Deficit for the financial year (Note 25)	(2,287)	(1,388)

For the year ended 31 March 06	For the year ended 31 March 05	
£'000	£'000	
15,278	14,468	Gross levy
(293)	(290)	Expenses of collection
14,985	14,178	Net levy before transfers to QMS/HCC
(2,220)	(2,112)	Net levy transfer to QMS (Note 29)
(2,006)	(1,758)	Net levy transfer to HCC (Note 29)
16	13	Net levy transfers from HCC
10,775	10,321	Net levy after transfers to QMS/HCC
302	79	Fee income
11,077	10,400	Total net income
(6,380)	(6,416)	Operating expenditure
(3,489)	(3,057)	Consumer advertising and promotion
(1,048)	(1,163)	Trade development and promotion
(346)	(260)	Food service
(593)	(127)	Consumer research
(599)	(339)	European Quality Beef
(648)	(666)	Export trade development
(13,103)	(12,028)	Supply chain
(2,026)	(1,628)	Operating deficit on ordinary activities before interest
219	240	Interest allocation (Note 15)
(1,807)	(1,388)	Deficit on ordinary activities before taxation
-	-	Taxation (Note 16)
(1,807)	(1,388)	Deficit for the year on ordinary activities after taxation
(480)	-	Reserves distribution to QMS (Note 25)
(2,287)	(1,388)	Deficit for the financial year (Note 25)

8. MLC Group: Combined promotion funds

Notes to accounts



9. EBLEX: Beef promotion fund

	For the year ended 31 March 06	For the year ended 31 March 05
	£'000	£'000
Income		
Gross levy	3,132	2,845
Expenses of collection	(41)	(39)
Net levy before transfers to QMS/HCC	3,091	2,806
Net levy transfer to QMS (Note 29)	-	-
Net levy transfer to HCC (Note 29)	-	-
Net levy after transfers to QMS/HCC	3,091	2,806
Fee income	285	-
Total net income	3,376	2,806
Operating expenditure		
Consumer advertising and promotion	(2,072)	(2,176)
Trade development and promotion	(1,121)	(927)
Food service	(270)	(523)
Consumer research	(40)	(35)
European Quality Beef	(593)	(127)
Export trade development	(73)	-
Total operating expenditure	(4,169)	(3,788)
Operating deficit on ordinary activities before interest	(793)	(882)
Interest allocation (Note 15)	63	76
Deficit on ordinary activities before taxation	(730)	(906)
Taxation (Note 16)	-	-
Deficit for the year on ordinary activities after taxation	(730)	(906)
Reserves distribution to QMS (Note 25)	(480)	-
Deficit for the financial year (Note 25)	(1,210)	(906)

For the year ended 31 March 06	For the year ended 31 March 05	
£'000	£'000	
Income		
Gross levy	3,132	2,845
Expenses of collection	(41)	(39)
Net levy before transfers to QMS/HCC	3,091	2,806
Net levy transfer to QMS (Note 29)	-	-
Net levy transfer to HCC (Note 29)	-	-
Net levy after transfers to QMS/HCC	3,091	2,806
Fee income	285	-
Total net income	3,376	2,806
Operating expenditure		
Consumer advertising and promotion	(2,072)	(2,176)
Trade development and promotion	(1,121)	(927)
Food service	(270)	(523)
Consumer research	(40)	(35)
European Quality Beef	(593)	(127)
Export trade development	(73)	-
Total operating expenditure	(4,169)	(3,788)
Operating deficit on ordinary activities before interest	(793)	(882)
Interest allocation (Note 15)	63	76
Deficit on ordinary activities before taxation	(730)	(906)
Taxation (Note 16)	-	-
Deficit for the year on ordinary activities after taxation	(730)	(906)
Reserves distribution to QMS (Note 25)	(480)	-
Deficit for the financial year (Note 25)	(1,210)	(906)

9. EBLEX: Beef promotion fund

Notes to accounts

10. EBLEX: Lamb promotion fund

	For the year ended 31 March 06	For the year ended 31 March 05
	£'000	£'000
Income		
Gross levy	3,123	3,009
Expenses of collection	(85)	(87)
Net levy before transfers to QMS/HCC	3,038	2,922
Net levy transfer to QMS (Note 29)	-	-
Net levy transfer to HCC (Note 29)	-	-
Net levy after transfers to QMS/HCC	3,038	2,922
Fee income	-	65
Total net income	3,038	2,987
Operating expenditure		
Consumer advertising and promotion	(2,332)	(2,534)
Trade development and promotion	(1,100)	(754)
Food service	(339)	(273)
Consumer research	(45)	(45)
Export trade development	(526)	(339)
Total operating expenditure	(4,342)	(3,945)
Operating deficit on ordinary activities before interest	(1,304)	(958)
Interest allocation (Note 15)	62	81
Deficit on ordinary activities before taxation	(1,242)	(877)
Taxation (Note 16)	-	-
Deficit for the year on ordinary activities after taxation	(1,242)	(877)
Reserves distribution to QMS (Note 25)	-	-
Deficit for the financial year (Note 25)	(1,242)	(877)

For the year ended 31 March 06	For the year ended 31 March 05	
£'000	£'000	
3,009	3,123	Gross levy
(87)	(85)	Expenses of collection
2,922	3,038	Net levy before transfers to QMS/HCC
-	-	Net levy transfer to QMS (Note 29)
-	-	Net levy transfer to HCC (Note 29)
2,922	3,038	Net levy after transfers to QMS/HCC
65	-	Fee income
2,987	3,038	Total net income
(2,534)	(2,332)	Consumer advertising and promotion
(754)	(1,100)	Trade development and promotion
(273)	(339)	Food service
(45)	(45)	Consumer research
(339)	(526)	Export trade development
(3,945)	(4,342)	Total operating expenditure
(958)	(1,304)	Operating deficit on ordinary activities before interest
81	62	Interest allocation (Note 15)
(877)	(1,242)	Deficit on ordinary activities before taxation
-	-	Taxation (Note 16)
(877)	(1,242)	Deficit for the year on ordinary activities after taxation
-	-	Reserves distribution to QMS (Note 25)
(877)	(1,242)	Deficit for the financial year (Note 25)

10. EBLEX: Lamb promotion fund

Notes to accounts

11. BPEX: Pork and bacon promotion fund

	For the year ended 31 March 06	For the year ended 31 March 05
	£'000	£'000
Income		
Gross levy	4,710	4,663
Expenses of collection	(80)	(83)
Net levy before transfers to QMS/HCC	4,630	4,580
Net levy transfer to QMS (Note 29)	-	-
Net levy transfer to HCC (Note 29)	-	-
Net levy transfers from HCC	16	13
Net levy after transfers to QMS/HCC	4,646	4,593
Fee income	17	14
Total net income	4,663	4,607
Operating expenditure		
Consumer advertising and promotion	(1,976)	(1,706)
Trade development and promotion	(1,268)	(1,376)
Food service	(439)	(367)
Consumer research	(261)	(180)
Supply chain	(648)	(966)
Total operating expenditure	(4,592)	(4,295)
Operating surplus on ordinary activities before interest	71	312
Interest allocation (Note 15)	94	83
Surplus for the year before taxation	165	395
Taxation (Note 16)	-	-
Deficit for the year on ordinary activities after taxation	165	395
Reserves distribution to QMS (Note 25)	-	-
Surplus for the financial year (Note 25)	165	395

For the year ended 31 March 06	For the year ended 31 March 05	
£'000	£'000	
Income		
Gross levy	4,710	4,663
Expenses of collection	(80)	(83)
Net levy before transfers to QMS/HCC	4,630	4,580
Net levy transfer to QMS (Note 29)	-	-
Net levy transfer to HCC (Note 29)	-	-
Net levy transfers from HCC	16	13
Net levy after transfers to QMS/HCC	4,646	4,593
Fee income	17	14
Total net income	4,663	4,607
Operating expenditure		
Consumer advertising and promotion	(1,976)	(1,706)
Trade development and promotion	(1,268)	(1,376)
Food service	(439)	(367)
Consumer research	(261)	(180)
Supply chain	(648)	(966)
Total operating expenditure	(4,592)	(4,295)
Operating surplus on ordinary activities before interest	71	312
Interest allocation (Note 15)	94	83
Surplus for the year before taxation	165	395
Taxation (Note 16)	-	-
Deficit for the year on ordinary activities after taxation	165	395
Reserves distribution to QMS (Note 25)	-	-
Surplus for the financial year (Note 25)	165	395

11. BPEX: Pork and bacon promotion fund

Notes to accounts

12. Deficit on ordinary activities before interest

	For the year ended 31 March 06	For the year ended 31 March 05
	£'000	£'000
Deficit on ordinary activities before interest is stated after charging/(crediting)		
Depreciation of tangible fixed assets	293	325
Amortisation of goodwill	23	35
Loss/(profit) on sale of tangible assets	3	(2)
Leasehold property rents	121	141
Hire of equipment under operating leases	43	69
Vehicle leases	551	671
Auditors' remuneration:		
Audit fees	41	48
Non-audit services	93	84
Research and development	1,321	1,276

For the year ended 31 March 06	For the year ended 31 March 05	
1,321	1,276	Research and development
93	84	Non-audit services
41	48	Audit fees
551	671	Auditors' remuneration:
43	69	Vehicle leases
121	141	Hire of equipment under operating leases
3	(2)	Leasehold property rents
23	35	Loss/(profit) on sale of tangible assets
293	325	Amortisation of goodwill
£'000	£'000	Depreciation of tangible fixed assets
		Deficit on ordinary activities before interest is stated after charging/(crediting)

12. Deficit on ordinary activities before interest

Notes to accounts

13. Employees

	For the year ended 31 March 06	For the year ended 31 March 05
Numbers employed		
The average numbers employed by MLC during the year were:		
Commercial activities		
Commercial services	452	439
Other fee earning and grant-supported activities		
Signet breeding services	14	15
Stotfold pig unit	3	5
Red Meat Industry Forum	8	10
	25	30
Levy dependent activities		
Consumer, trade and export marketing	26	31
Industry development	10	10
Research and development and technical support	19	18
Species strategy and communications	8	8
Directorate, finance, personnel and internal services	24	26
EBLEX	27	24
BPEX	3	3
	117	120
	594	589
Staff costs		
Salaries	£13,097	£14,401
Aggregate travelling and subsistence	1,195	1,673
Social security costs	1,231	1,364
Other pension costs - current service costs (note 14(4))	2,400	2,300
	17,923	19,738

	For the year ended 31 March 06	For the year ended 31 March 05
Numbers employed		
The average numbers employed by MLC during the year were:		
Commercial activities		
Commercial services	452	439
Other fee earning and grant-supported activities		
Signet breeding services	14	15
Stotfold pig unit	3	5
Red Meat Industry Forum	8	10
	25	30
Levy dependent activities		
Consumer, trade and export marketing	26	31
Industry development	10	10
Research and development and technical support	19	18
Species strategy and communications	8	8
Directorate, finance, personnel and internal services	24	26
EBLEX	27	24
BPEX	3	3
	117	120
	594	589
Staff costs		
Salaries	£13,097	£14,401
Aggregate travelling and subsistence	1,195	1,673
Social security costs	1,231	1,364
Other pension costs - current service costs (note 14(4))	2,400	2,300
	17,923	19,738

13. Employees

Notes to accounts

13. Employees (continued)

Directors' detailed emoluments

	For the year ended 31 March 06			For the year ended 31 March 05
	Salary & fees	Benefits	Total	
	£'000	£'000	£'000	£'000
Kevin Roberts, Director General	146	10	156	145
Richard Lowe, Marketing Director	107	8	115	107
Note 1 Bob Bansback, Corporate Strategy Director	-	-	-	27
Note 2 Mike Attenborough, Technical Director	71	7	78	99
Note 3 Mark Wilson, Director of Pig Industry Development	41	4	45	-
	365	29	394	378

Benefits-in-kind include the provision of a company car and private health cover.

Directors' pension entitlement

Set out below are details of the pension benefits accrued at and earned by each of the executive directors during the year to 31 March 2006.

	For the year ended 31 March 06		Restated For the year ended 31 March 05
	Accrued entitlement	Real terms increase in year	
	£'000	£'000	£'000
Note 4 Kevin Roberts, Director General	27	3	24
Richard Lowe, Marketing Director	15	3	12
Note 1 Bob Bansback, Corporate Strategy Director	-	-	56
Note 2 Mike Attenborough, Technical Director	-	-	18
Note 3 Mark Wilson, Director of Pig Industry Development	1	1	-
	43	7	110

The accrued pension entitlement shown is the amount that would be paid each year on retirement based on service to the end of the current year.

The increase in the additional pension earned during the year excludes any increase for inflation.

Note 1: Bob Bansback retired from MLC on 30 June 2004.

Note 2: Mike Attenborough's role changed on 15 November 2005 when he stepped down from his role as Technical Director to become Director of Special Projects on a two day per week basis. Mike Attenborough sadly died in service on 13 March 2006.

Note 3: Mark Wilson joined MLC on 4 July 2005.

Note 4: In addition, MLC made a payment of £50k into the MLC Pension Scheme during the year ended 31 March 2006 which will enhance Kevin Roberts' accrued pension entitlement at the point of retirement.



Note 1: Bob Bansback retired from MLC on 30 June 2004.
 Note 2: Mike Attenborough's role changed on 15 November 2005 when he stepped down from his role as Technical Director to become Director of Special Projects on a two day per week basis. Mike Attenborough sadly died in service on 13 March 2006.
 Note 3: Mark Wilson joined MLC on 4 July 2005.
 Note 4: In addition, MLC made a payment of £50k into the MLC Pension Scheme during the year ended 31 March 2006 which will enhance Kevin Roberts' accrued pension entitlement at the point of retirement.

The increase in the additional pension earned during the year excludes any increase for inflation.
 The accrued pension entitlement shown is the amount that would be paid each year on retirement based on service to the end of the current year.

	For the year ended 31 March 06		Accrued entitlement	Real terms increase in year	For the year ended 31 March 05
	Salary & fees	Benefits			
	£'000	£'000	£'000		
Note 4 Kevin Roberts, Director General	27	3	27	3	24
Richard Lowe, Marketing Director	15	3	15	3	12
Note 1 Bob Bansback, Corporate Strategy Director	-	-	-	-	56
Note 2 Mike Attenborough, Technical Director	-	-	-	-	18
Note 3 Mark Wilson, Director of Pig Industry Development	1	1	1	1	-
	43	7	43	7	110

Set out below are details of the pension benefits accrued at and earned by each of the executive directors during the year to 31 March 2006.

Directors' pension entitlement

Benefits-in-kind include the provision of a company car and private health cover.

	For the year ended 31 March 06			Total	For the year ended 31 March 05
	Salary & fees	Benefits	Total		
	£'000	£'000	£'000		
Kevin Roberts, Director General	146	10	156	145	
Richard Lowe, Marketing Director	107	8	115	107	
Note 1 Bob Bansback, Corporate Strategy Director	-	-	-	27	
Note 2 Mike Attenborough, Technical Director	71	7	78	99	
Note 3 Mark Wilson, Director of Pig Industry Development	41	4	45	-	
	365	29	394	378	

Directors' detailed emoluments

13. Employees (continued)

Notes to accounts



13. Employees (continued)

Emoluments of members of the Commission

The Meat and Livestock Commission is advised by the Department for Environment, Food and Rural Affairs that elements of remuneration and expenses of members of the Commission were as follows :-

	For the year ended 31 March 06				For the year ended 31 March 05
	Salary & fees payable by Defra	Expenses payable by Defra	Salary & fees payable by MLC	Total	
Peter Barr, Chairman	£ 81,417	£ 12,558	£ -	£ 93,975	112,605
Paul Kirk, Deputy Chairman	23,017	1,187	6,000	30,204	30,603
Richard Moody, Chair Consumers Committee	19,474	3,408	-	22,882	22,518
Helen Browning	11,196	1,365	-	12,561	12,921
Rees Roberts	11,196	-	-	11,196	10,225
John Cross	11,196	3,742	44,996	59,934	41,454
Stewart Houston	11,196	18,701	12,000	41,897	36,290
Richard Cracknell	11,196	-	-	11,196	10,225
Kevin Hawkins	11,196	-	-	11,196	10,225
Neil Stoddart	11,196	3,611	-	14,807	15,093
Jim Walker	11,196	-	-	11,196	10,225
	213,476	44,572	62,996	321,044	312,384

During the year Commissioner Paul Kirk was paid an honorarium of £6k by MLC for his chairmanship of the MLC Board of Pension Trustees (2005: £6k); Commissioner John Cross was paid an honorarium of £45k (including a £10k bonus) by MLC for his chairmanship of the English Beef and Lamb Executive (2005: £25k); and Commissioner Stewart Houston was paid an honorarium of £12k by MLC for his chairmanship of the British Pig Executive (2005: £10k).

During the year Commissioner Paul Kirk was paid an honorarium of £6k by MLC for his chairmanship of the MLC Board of Pension Trustees (2005: £6k); Commissioner John Cross was paid an honorarium of £45k (including a £10k bonus) by MLC for his chairmanship of the English Beef and Lamb Executive (2005: £25k); and Commissioner Stewart Houston was paid an honorarium of £12k by MLC for his chairmanship of the British Pig Executive (2005: £10k).

	For the year ended 31 March 06				For the year ended 31 March 05
	Salary & fees payable by Defra	Expenses payable by Defra	Salary & fees payable by MLC	Total	
Peter Barr, Chairman	£ 81,417	£ 12,558	£ -	£ 93,975	112,605
Paul Kirk, Deputy Chairman	23,017	1,187	6,000	30,204	30,603
Richard Moody, Chair Consumers Committee	19,474	3,408	-	22,882	22,518
Helen Browning	11,196	1,365	-	12,561	12,921
Rees Roberts	11,196	-	-	11,196	10,225
John Cross	11,196	3,742	44,996	59,934	41,454
Stewart Houston	11,196	18,701	12,000	41,897	36,290
Richard Cracknell	11,196	-	-	11,196	10,225
Kevin Hawkins	11,196	-	-	11,196	10,225
Neil Stoddart	11,196	3,611	-	14,807	15,093
Jim Walker	11,196	-	-	11,196	10,225
	213,476	44,572	62,996	321,044	312,384

The Meat and Livestock Commission is advised by the Department for Environment, Food and Rural Affairs that elements of remuneration and expenses of members of the Commission were as follows :-

Emoluments of members of the Commission

13. Employees (continued)



Notes to accounts

14. Pensions

1) Information about the Scheme

a. The Commission operates one approved retirement benefit arrangement in the UK encompassing both a Defined Benefit section and a Defined Contribution section. This disclosure covers the Defined Benefit section of the Meat and Livestock Commission Pension Scheme which is closed to new members.

b. The most recent actuarial valuation of the Scheme was carried out as at 1 April 2003 along with an interim actuarial assessment as at 31 December 2004. There is a formal funding actuarial valuation in progress with an effective date of 1 April 2006. The FRS 17 figures as at 31 March 2006 have been based on full membership data as at 31 March 2006.

2) Financial assumptions

These are set out in the table below.

	31 March 2006 % pa	31 March 2005 % pa	31 March 2004 % pa
Price inflation	2.80	2.75	2.75
Rate of increase in pay	4.30	4.25	4.25
Rate of increase of pensions in payment*	2.80	2.75	2.75
Rate of increase for deferred pensioners*	2.80	2.75	2.75
Discount rate	5.00	5.40	5.50

* in excess of any Guaranteed Minimum Pension (GMP) element

3) Market value of assets and expected rate of return on assets

	31 March 2006 rate of return expected on Value at 31 March 2006	31 March 2005 rate of return expected on Value at 31 March 2005	31 March 2004 rate of return expected on Value at 31 March 2004
UK equities	8.25	8.40	8.70
Overseas equities	8.25	8.40	8.70
Bonds (UK and overseas)	4.30	4.80	4.90
Cash (including net current assets and investment income due)	3.80	3.75	3.75
Total value of assets	5.50*	6.20*	7.10

* the expected rates of return at 31 March 2005 and 31 March 2006 have been set with regard to the Scheme's long-term asset allocation

Notes to accounts

14. Pensions

1) Information about the Scheme

a. The Commission operates one approved retirement benefit arrangement in the UK encompassing both a Defined Benefit section and a Defined Contribution section. This disclosure covers the Defined Benefit section of the Meat and Livestock Commission Pension Scheme which is closed to new members.

b. The most recent actuarial valuation of the Scheme was carried out as at 1 April 2003 along with an interim actuarial assessment as at 31 December 2004. There is a formal funding actuarial valuation in progress with an effective date of 1 April 2006. The FRS 17 figures as at 31 March 2006 have been based on full membership data as at 31 March 2006.

2) Financial assumptions

These are set out in the table below.

	31 March 2006 % pa	31 March 2005 % pa	31 March 2004 % pa
Price inflation	2.80	2.75	2.75
Rate of increase in pay	4.30	4.25	4.25
Rate of increase of pensions in payment*	2.80	2.75	2.75
Rate of increase for deferred pensioners*	2.80	2.75	2.75
Discount rate	5.00	5.40	5.50

* in excess of any Guaranteed Minimum Pension (GMP) element

3) Market value of assets and expected rate of return on assets

	Long-term rate of return expected on 31 March 2006	Value at 31 March 2006	Long-term rate of return expected on 31 March 2005	Value at 31 March 2005	Long-term rate of return expected on 31 March 2004	Value at 31 March 2004
UK equities	8.25	20.7	8.40	56.2	8.70	70.7
Overseas equities	8.25	45.7	8.40	38.3	8.70	36.5
Bonds (UK and overseas)	4.30	147.6	4.80	94.1	4.90	72.5
Cash (including net current assets and investment income due)	3.80	0.5	3.75	0.3	3.75	-
Total value of assets	5.50*	214.5	6.20*	188.9	7.10	179.7

* the expected rates of return at 31 March 2005 and 31 March 2006 have been set with regard to the Scheme's long-term asset allocation



4) Components of defined benefit cost for the year ended 31 March 2006

Analysis of amounts charged to operating surplus:

	Year ended 31 March 2006	Year ended 31 March 2005
	£m	£m
a. Current service cost	2.4	2.3
b. Past service costs	-	-
c. Previously unrecognised surplus deducted from past service costs	-	-
d. Total charged to operating surplus	2.4	2.3

Analysis of other amounts charged to income and expenditure account:

	Year ended 31 March 2006	Year ended 31 March 2005
	£m	£m
e. (Gain)/loss on settlements	-	-
f. Previously unrecognised surplus deducted from settlement loss	-	-
g. (Gain)/loss on curtailment	(0.5)	-
h. Previously unrecognised surplus deducted from curtailment loss	-	-
i. Net (gain) loss charged to I&E account	(0.5)	-

Analysis of the amount charged/credited to other finance income:

	Year ended 31 March 2006	Year ended 31 March 2005
	£m	£m
j. Interest on Scheme liabilities	8.6	8.4
k. Expected return on assets in the Scheme	(11.5)	(12.5)
l. Net credit to other finance income	(2.9)	(4.1)
Total I&E charge before deduction for tax (tax nil) d + i + l	(1.0)	(1.8)

Analysis of the amounts recognised in STRGL:

	Year ended 31 March 2006	Year ended 31 March 2005
	£m	£m
m. Gain on assets	(21.6)	(4.7)
n. Experience (gain)/loss on liabilities	(6.2)	2.7
o. Loss on change of assumptions (financial and demographic)	29.7	2.7
p. Total loss recognised in STRGL before adjustment for tax	1.9	0.7

	Year ended 31 March 2006	Year ended 31 March 2005
	£m	£m
m. Gain on assets	(21.6)	(4.7)
n. Experience (gain)/loss on liabilities	(6.2)	2.7
o. Loss on change of assumptions (financial and demographic)	29.7	2.7
p. Total loss recognised in STRGL before adjustment for tax	1.9	0.7

Analysis of the amounts recognised in STRGL:

	Year ended 31 March 2006	Year ended 31 March 2005
	£m	£m
j. Interest on Scheme liabilities	8.6	8.4
k. Expected return on assets in the Scheme	(11.5)	(12.5)
l. Net credit to other finance income	(2.9)	(4.1)
Total I&E charge before deduction for tax (tax nil) d + i + l	(1.0)	(1.8)

Analysis of the amount charged/credited to other finance income:

	Year ended 31 March 2006	Year ended 31 March 2005
	£m	£m
e. (Gain)/loss on settlements	-	-
f. Previously unrecognised surplus deducted from settlement loss	-	-
g. (Gain)/loss on curtailment	(0.5)	-
h. Previously unrecognised surplus deducted from curtailment loss	-	-
i. Net (gain) loss charged to I&E account	(0.5)	-

Analysis of other amounts charged to income and expenditure account:

	Year ended 31 March 2006	Year ended 31 March 2005
	£m	£m
a. Current service cost	2.4	2.3
b. Past service costs	-	-
c. Previously unrecognised surplus deducted from past service costs	-	-
d. Total charged to operating surplus	2.4	2.3

Analysis of amounts charged to operating surplus:

4) Components of defined benefit cost for the year ended 31 March 2006

Notes to accounts

5) History of experience gains and losses

	Year ended 31 March 2006	Year ended 31 March 2005	Year ended 31 March 2004
a. (Gain)/loss on Scheme assets			
amount (£ million)	(21.6)	(4.7)	21.0
% of Scheme assets at end of year	10.10%	2.50%	11.70%
b. Experience (gain)/loss on Scheme liabilities			
amount (£ million)	(6.2)	2.7	-
% of Scheme liabilities at end of year	3.30%	1.60%	0.00%
c. Total actuarial (gain)/loss recognised in STRGL			
amount (£ million)	1.9	0.7	(18.8)
% of Scheme liabilities at end of year	1.00%	0.40%	12.00%

6) Reconciliation to the balance sheet

	Year ended 31 March 2006	Year ended 31 March 2005	Year ended 31 March 2004
	£m	£m	£m
a. Market value of Scheme assets	214.5	188.9	179.7
b. Actuarial value of Scheme liabilities	(189.8)	(164.2)	(156.5)
c. Surplus in the Scheme	24.7	24.7	23.2
d. Irrecoverable surplus	-	-	-
e. Pension asset recognised in balance sheet (before allowance for deferred tax (deferred tax nil))	24.7	24.7	23.2

Analysis of the movement in surplus (deficit) during the year

	Year ended 31 March 2006	Year ended 31 March 2005
	£m	£m
Surplus in the Scheme at beginning of year	24.7	23.2
Contributions paid	0.9	0.4
Current service cost	(2.4)	(2.3)
Curtailed cost	0.5	-
Other finance income	2.9	4.1
Actuarial loss	(1.9)	(0.7)
Surplus in the Scheme at end of year	24.7	24.7

	Year ended 31 March 2006	Year ended 31 March 2005
Surplus in the Scheme at beginning of year	£m 24.7	£m 23.2
Contributions paid	0.9	0.4
Current service cost	(2.4)	(2.3)
Curtailed cost	0.5	-
Other finance income	2.9	4.1
Actuarial loss	(1.9)	(0.7)
Surplus in the Scheme at end of year	24.7	24.7

Analysis of the movement in surplus (deficit) during the year

	Year ended 31 March 2006	Year ended 31 March 2005	Year ended 31 March 2004
a. Market value of Scheme assets	£m 214.5	£m 188.9	£m 179.7
b. Actuarial value of Scheme liabilities	(189.8)	(164.2)	(156.5)
c. Surplus in the Scheme	24.7	24.7	23.2
d. Irrecoverable surplus	-	-	-
e. Pension asset recognised in balance sheet (before allowance for deferred tax (deferred tax nil))	24.7	24.7	23.2

6) Reconciliation to the balance sheet

	Year ended 31 March 2006	Year ended 31 March 2005	Year ended 31 March 2004
a. (Gain)/loss on Scheme assets	(21.6)	(4.7)	21.0
% of Scheme assets at end of year	10.10%	2.50%	11.70%
b. Experience (gain)/loss on Scheme liabilities	(6.2)	2.7	-
amount (£ million)	(6.2)	2.7	-
% of Scheme liabilities at end of year	3.30%	1.60%	0.00%
c. Total actuarial (gain)/loss recognised in STRGL	1.9	0.7	(18.8)
amount (£ million)	1.9	0.7	(18.8)
% of Scheme liabilities at end of year	1.00%	0.40%	12.00%

5) History of experience gains and losses

Notes to accounts

15. Interest receivable

	For the year ended 31 March 06	For the year ended 31 March 05
	£'000	£'000
Interest receivable	346	345
Allocated to accumulated funds		
General fund	127	105
Beef promotion	63	76
Lamb promotion	62	18
Pork and bacon promotion	94	83
	346	345

The amount of interest receivable has been allocated to the various funds on the basis of their respective average funds position during the year.

16. Taxation

	For the year ended 31 March 06	For the year ended 31 March 05
	£'000	£'000
Current tax		
UK corporation tax on commercial profits for the period	(99)	(169)
UK corporation tax on interest income for the period	(104)	(104)
UK corporation tax associated with the EFSIS sale	(159)	-
Total current tax	(362)	(273)
Deferred tax		
Origination and reversal of timing differences (ACA and other)	-	-
Total deferred tax	-	-
Tax on profit on ordinary activities	(362)	(273)
Allocated to accumulated funds		
General	(362)	(273)
Beef promotion	-	-
Lamb promotion	-	-
Pork and Bacon promotion	-	-
	(362)	(273)

The deferred tax asset of £56k included in debtors is in respect of depreciation in excess of tax allowances and will be recoverable against future taxable profits.

15. Interest receivable

	For the year ended 31 March 06	For the year ended 31 March 05
	£'000	£'000
Interest receivable	346	345
Allocated to accumulated funds		
General fund	127	105
Beef promotion	63	76
Lamb promotion	62	18
Pork and bacon promotion	94	83
	346	345

The amount of interest receivable has been allocated to the various funds on the basis of their respective average funds position during the year.

	For the year ended 31 March 06	For the year ended 31 March 05
	£'000	£'000
Current tax		
UK corporation tax on commercial profits for the period	(99)	(169)
UK corporation tax on interest income for the period	(104)	(104)
UK corporation tax associated with the EFSIS sale	(159)	-
Total current tax	(362)	(273)
Deferred tax		
Origination and reversal of timing differences (ACA and other)	-	-
Total deferred tax	-	-
Tax on profit on ordinary activities	(362)	(273)
Allocated to accumulated funds		
General	(362)	(273)
Beef promotion	-	-
Lamb promotion	-	-
Pork and Bacon promotion	-	-
	(362)	(273)

The deferred tax asset of £56k included in debtors is in respect of depreciation in excess of tax allowances and will be recoverable against future taxable profits.



Notes to accounts

16. Taxation (continued)

The tax on commercial profits assessed for the year differs from the standard rate of corporation tax in the UK (30%). The differences are explained below :-

	For the year ended 31 March 06	For the year ended 31 March 05
	£'000	£'000
Surplus on ordinary activities before tax	3,546	566
Surplus on ordinary activities multiplied by standard rate in the UK 30%	1,064	170
Effects of:		
Surplus on non-taxable activities	(702)	103
Current tax charge for the year	362	273

17. Tangible assets

Group	Freehold property	Motor vehicles	Equipment	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
As at 1 April 2005	4,690	85	1,515	6,290
Additions	-	-	59	59
Disposals	-	(22)	(2)	(24)
EFSIS sale	-	-	(60)	(60)
Revaluation	910	-	-	910
As at 31 March 2006	5,600	63	1,512	7,175
Depreciation				
As at 1 April 2005	(335)	(71)	(1,210)	(1,616)
Charge for year	(167)	-	(126)	(293)
Relating to disposals	-	18	2	20
EFSIS sale	-	-	26	26
Revaluation	502	-	-	502
As at 31 March 2006	-	(53)	(1,308)	(1,361)
Net book amount as at 31 March 2006	5,600	10	204	5,814
Net book amount as at 31 March 2005	4,355	14	305	4,674

Group	Freehold property	Motor vehicles	Equipment	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
As at 1 April 2005	4,690	85	1,515	6,290
Additions	-	-	59	59
Disposals	-	(22)	(2)	(24)
EFSIS sale	-	-	(60)	(60)
Revaluation	910	-	-	910
As at 31 March 2006	5,600	63	1,512	7,175
Depreciation				
As at 1 April 2005	(335)	(71)	(1,210)	(1,616)
Charge for year	(167)	-	(126)	(293)
Relating to disposals	-	18	2	20
EFSIS sale	-	-	26	26
Revaluation	502	-	-	502
As at 31 March 2006	-	(53)	(1,308)	(1,361)
Net book amount as at 31 March 2006	5,600	10	204	5,814
Net book amount as at 31 March 2005	4,355	14	305	4,674

17. Tangible assets

For the year ended 31 March 05	For the year ended 31 March 06		Current tax charge for the year
£'000	£'000		£'000
566	3,546		Surplus on ordinary activities before tax
170	1,064		Surplus on ordinary activities multiplied by standard rate in the UK 30%
103	(702)		Surplus on non-taxable activities
273	362		Current tax charge for the year

The tax on commercial profits assessed for the year differs from the standard rate of corporation tax in the UK (30%). The differences are explained below :-

16. Taxation (continued)

Notes to accounts



17. Tangible assets (continued)

MLC	Freehold property	Motor vehicles	Equipment	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
As at 1 April 2005	4,690	85	1,455	6,230
Additions	-	-	59	59
Disposals	-	(22)	(2)	(24)
Revaluation	910	-	-	910
As at 31 March 2006	5,600	63	1,512	7,175
Depreciation				
As at 1 April 2005	(335)	(71)	(1,184)	(1,590)
Charge for year	(167)	-	(126)	(293)
Relating to disposals	-	18	2	20
Revaluation	502	-	-	502
As at 31 March 2006	-	(53)	(1,308)	(1,361)
Net book amount as at 31 March 2006	5,600	10	204	5,814
Net book amount as at 31 March 2005	4,355	14	271	4,640

Freehold properties were valued at 31 March 2006 at open market valuation for existing use, in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors in the United Kingdom by Bidwells, Chartered Surveyors. The valuation was £5,600k.

There is no potential liability for deferred tax arising from the revaluation of these properties, nor from chargeable gains which have been rolled over against the original cost of these properties.

The net book amount at 31 March 2006 of freehold property according to the historical cost convention is:	£'000
Cost	6,900
Depreciation	(3,113)
Net book amount	3,787

Net book amount	£'000
Cost	6,900
Depreciation	(3,113)
Net book amount	3,787

There is no potential liability for deferred tax arising from the revaluation of these properties, nor from chargeable gains which have been rolled over against the original cost of these properties.

The valuation was £5,600k. Freehold properties were valued at 31 March 2006 at open market valuation for existing use, in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors in the United Kingdom by Bidwells, Chartered Surveyors.

MLC	Freehold property	Motor vehicles	Equipment	Total
Cost or valuation	£'000	£'000	£'000	£'000
As at 1 April 2005	4,690	85	1,455	6,230
Additions	-	-	59	59
Disposals	-	(22)	(2)	(24)
Revaluation	910	-	-	910
As at 31 March 2006	5,600	63	1,512	7,175
Depreciation				
As at 1 April 2005	(335)	(71)	(1,184)	(1,590)
Charge for year	(167)	-	(126)	(293)
Relating to disposals	-	18	2	20
Revaluation	502	-	-	502
As at 31 March 2006	-	(53)	(1,308)	(1,361)
Net book amount as at 31 March 2006	5,600	10	204	5,814
Net book amount as at 31 March 2005	4,355	14	271	4,640

17. Tangible assets (continued)

21. Debtors

	Group As at 31 March 06	MLC As at 31 March 06	Group As at 31 March 05	MLC As at 31 March 05
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Levy income receivable	3,001	3,001	2,600	2,600
Debtors for fee and other income	990	611	1,706	795
Amounts owed by subsidiary undertakings	-	-	-	155
Prepayments and accrued income	421	421	896	844
Deferred tax (Note 16)	56	56	56	56
Rural Payments Agency	76	76	1,628	1,628
Department for Environment, Food and Rural Affairs	-	-	1,443	1,443
	4,544	4,165	8,329	7,521

22. Defra underwrite for redundancy

	Group As at 31 March 06	MLC As at 31 March 06	Group As at 31 March 05	MLC As at 31 March 05
	£'000	£'000	£'000	£'000
As at 1 April	(4,468)	(4,468)	(4,337)	(4,337)
Amounts received and applied for:				
Expenses incurred	76	76	68	68
Interest	(201)	(201)	(199)	(199)
As at 31 March	(4,593)	(4,593)	(4,468)	(4,468)
Defra fund	4,593	4,593	4,466	4,466
Net claims to be submitted to Defra	-	-	2	2
Provision as above	4,593	4,593	4,468	4,468

The Defra fund on deposit is held outside MLC's own cash resources and was set up to underwrite potential future redundancy costs. These monies were transferred to MLC during the 1994/1995 financial year. The agreement we have with Defra governing the use of the fund to meet potential future redundancy cost is due to expire in March 2010. Notwithstanding, should the Secretary of State at any time decide in his/her discretion that there is no possibility of any liability arising, then he/she may terminate the agreement by giving MLC written notice of this decision.

The Defra fund on deposit is held outside MLC's own cash resources and was set up to underwrite potential future redundancy costs. These monies were transferred to MLC during the 1994/1995 financial year. The agreement we have with Defra governing the use of the fund to meet potential future redundancy cost is due to expire in March 2010. Notwithstanding, should the Secretary of State at any time decide in his/her discretion that there is no possibility of any liability arising, then he/she may terminate the agreement by giving MLC written notice of this decision.

	Group As at 31 March 06	MLC As at 31 March 06	Group As at 31 March 05	MLC As at 31 March 05
Provision as above	4,593	4,593	4,468	4,468
Net claims to be submitted to Defra	-	-	-	-
Defra fund	4,593	4,593	4,466	4,466
As at 31 March	(4,593)	(4,593)	(4,468)	(4,468)
Interest	(201)	(201)	(199)	(199)
Expenses incurred	76	76	68	68
Amounts received and applied for:				
As at 1 April	£'000	£'000	£'000	£'000
	(4,468)	(4,468)	(4,337)	(4,337)

22. Defra underwrite for redundancy

	Group As at 31 March 06	MLC As at 31 March 06	Group As at 31 March 05	MLC As at 31 March 05
Department for Environment, Food and Rural Affairs	-	-	-	1,443
Rural Payments Agency	76	76	1,628	1,628
Deferred tax (Note 16)	56	56	56	56
Prepayments and accrued income	421	421	896	844
Amounts owed by subsidiary undertakings	-	-	-	155
Debtors for fee and other income	990	611	1,706	795
Levy income receivable	3,001	3,001	2,600	2,600
Amounts falling due within one year	£'000	£'000	£'000	£'000
	4,544	4,165	8,329	7,521

21. Debtors

Notes to accounts

23. PIDS fund

	Group As at 31 March 06	MLC As at 31 March 06	Group As at 31 March 05	MLC As at 31 March 05
	£'000	£'000	£'000	£'000
As at 1 April	(65)	(65)	(63)	(63)
Interest	(2)	(2)	(2)	(2)
As at 31 March	(67)	(67)	(65)	(65)
PIDS fund	67	67	65	65
Provision as above	67	67	65	65

The MLC began collecting a separate levy relating to the Pig Industry Development Scheme (PIDS) in July 2001. The PIDS levy collected was used to repay a £3.9m Government loan made to the pig industry during 2001/02 on 31 December 2003.

24. Creditors

	Group As at 31 March 06	MLC As at 31 March 06	Group As at 31 March 05	MLC As at 31 March 05
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Trade creditors	(6,543)	(6,501)	(7,618)	(7,423)
Redundancy creditor (net)	(38)	(38)	(39)	(39)
Accruals and deferred income	(538)	(232)	(2,186)	(1,215)
Other creditors	(1,626)	(1,626)	(1,091)	(680)
Corporation tax	(401)	(396)	(455)	(365)
Other taxation and social security	(420)	(424)	(471)	(396)
PIDS fund (Note 23)	(67)	(67)	(65)	(65)
Department for Environment, Food and Rural Affairs	(1,681)	(1,681)	-	-
	(11,314)	(10,965)	(11,925)	(10,183)
Amounts falling due after more than one year				
Redundancy creditor (net)	(82)	(82)	(116)	(116)

	Group As at 31 March 06	MLC As at 31 March 06	Group As at 31 March 05	MLC As at 31 March 05
Amounts falling due within one year				
Trade creditors	(6,543)	(6,501)	(7,618)	(7,423)
Redundancy creditor (net)	(38)	(38)	(39)	(39)
Accruals and deferred income	(538)	(232)	(2,186)	(1,215)
Other creditors	(1,626)	(1,626)	(1,091)	(680)
Corporation tax	(401)	(396)	(455)	(365)
Other taxation and social security	(420)	(424)	(471)	(396)
PIDS fund (Note 23)	(67)	(67)	(65)	(65)
Department for Environment, Food and Rural Affairs	(1,681)	(1,681)	-	-
Amounts falling due after more than one year				
Redundancy creditor (net)	(82)	(82)	(116)	(116)

24. Creditors

The MLC began collecting a separate levy relating to the Pig Industry Development Scheme (PIDS) in July 2001. The PIDS levy collected was used to repay a £3.9m Government loan made to the pig industry during 2001/02 on 31 December 2003.

	Group As at 31 March 06	MLC As at 31 March 06	Group As at 31 March 05	MLC As at 31 March 05
Amounts falling due within one year				
Trade creditors	(6,543)	(6,501)	(7,618)	(7,423)
Redundancy creditor (net)	(38)	(38)	(39)	(39)
Accruals and deferred income	(538)	(232)	(2,186)	(1,215)
Other creditors	(1,626)	(1,626)	(1,091)	(680)
Corporation tax	(401)	(396)	(455)	(365)
Other taxation and social security	(420)	(424)	(471)	(396)
PIDS fund (Note 23)	(67)	(67)	(65)	(65)
Department for Environment, Food and Rural Affairs	(1,681)	(1,681)	-	-
Amounts falling due after more than one year				
Redundancy creditor (net)	(82)	(82)	(116)	(116)

23. PIDS fund

Notes to accounts

24. Creditors (continued)

Included in the redundancy creditor (net) in the previous table are redundancy compensation payments receivable from the Rural Payments Agency, which are offset against redundancy compensation liabilities, as follows:-

	Group As at 31 March 06	MLC As at 31 March 06	Group As at 31 March 05	MLC As at 31 March 05
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Redundancy compensation payments	(308)	(308)	(360)	(360)
Less amounts receivable from:				
Rural Payments Agency	270	270	321	321
	(38)	(38)	(39)	(39)
Amounts falling due after more than one year				
Redundancy compensation payments	(442)	(442)	(728)	(728)
Less amounts receivable from:				
Rural Payments Agency	360	360	612	612
	(82)	(82)	(116)	(116)

MLC As at 31 March 05	Group As at 31 March 05	MLC As at 31 March 06	Group As at 31 March 06	
(116)	(116)	(82)	(82)	
612	612	360	360	Rural Payments Agency
(728)	(728)	(442)	(442)	Less amounts receivable from: Redundancy compensation payments
(39)	(39)	(38)	(38)	Amounts falling due after more than one year
321	321	270	270	Rural Payments Agency
(360)	(360)	(308)	(308)	Less amounts receivable from: Redundancy compensation payments
£'000	£'000	£'000	£'000	Amounts falling due within one year
MLC As at 31 March 05	Group As at 31 March 05	MLC As at 31 March 06	Group As at 31 March 06	

Included in the redundancy creditor (net) in the previous table are redundancy compensation payments receivable from the Rural Payments Agency, which are offset against redundancy compensation liabilities, as follows:-

24. Creditors (continued)

Notes to accounts

25. Capital and reserves

Group	Pension fund	General fund	Species promotion funds			Total
			Beef	Lamb	Pork and bacon	
	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated funds						
Balance as at 1 April 2005	20,751	3,991	3,168	3,390	4,124	35,424
Pension scheme movements (Note 14):						
Actuarial loss	(1,900)	-	-	-	-	(1,900)
Transfer of excess depreciation on revalued assets	-	13	-	-	-	13
Surplus/(deficit) for the year	-	4,813	(1,210)	(1,242)	165	2,526
Balance as at 31 March 2006	18,851	8,817	1,958	2,148	4,289	36,063

MLC	Pension fund	General fund	Species promotion funds			Total
			Beef	Lamb	Pork and bacon	
	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated funds						
Balance as at 1 April 2005	20,751	3,917	3,168	3,390	4,124	35,350
Pension scheme movements (Note 14):						
Actuarial loss	(1,900)	-	-	-	-	(1,900)
Transfer of excess depreciation on revalued assets	-	13	-	-	-	13
Surplus/(deficit) for the year	-	4,114	(1,210)	(1,242)	165	1,827
Balance as at 31 March 2006	18,851	8,044	1,958	2,148	4,289	35,290

Revaluation Reserve	£'000
Balance as at 1 April 2005	667
Transfer of excess depreciation on revalued assets	(13)
Revaluation	1,412
Balance as at 31 March 2006	2,066

During the year to 31 March 2005 the Board of Commissioners agreed that a proportion of MLC's pre-devolution combined operating reserves of £10.52m be made available to external devolved bodies, thereby obviating the need for them to build large and duplicate reserve funds in their own accounts. In this respect, MLC earmarked reserves available for drawdown of £0.6m and £0.5m for QMS and HCC respectively. As at 31 March 2006 QMS requested drawdown of its reserves allocation (£571k) while no request had been received from HCC.

During the year to 31 March 2005 the Board of Commissioners agreed that a proportion of MLC's pre-devolution combined operating reserves of £10.52m be made available to external devolved bodies, thereby obviating the need for them to build large and duplicate reserve funds in their own accounts. In this respect, MLC earmarked reserves available for drawdown of £0.6m and £0.5m for QMS and HCC respectively. As at 31 March 2006 QMS requested drawdown of its reserves allocation (£571k) while no request had been received from HCC.

Revaluation Reserve	£'000
Balance as at 1 April 2005	667
Transfer of excess depreciation on revalued assets	(13)
Revaluation	1,412
Balance as at 31 March 2006	2,066

MLC	Pension fund	General fund	Species promotion funds			Total
			Beef	Lamb	Pork and bacon	
	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated funds						
Balance as at 1 April 2005	20,751	3,917	3,168	3,390	4,124	35,350
Pension scheme movements (Note 14):						
Actuarial loss	(1,900)	-	-	-	-	(1,900)
Transfer of excess depreciation on revalued assets	-	13	-	-	-	13
Surplus/(deficit) for the year	-	4,114	(1,210)	(1,242)	165	1,827
Balance as at 31 March 2006	18,851	8,044	1,958	2,148	4,289	35,290

Group	Pension fund	General fund	Species promotion funds			Total
			Beef	Lamb	Pork and bacon	
	£'000	£'000	£'000	£'000	£'000	£'000
Accumulated funds						
Balance as at 1 April 2005	20,751	3,991	3,168	3,390	4,124	35,424
Pension scheme movements (Note 14):						
Actuarial loss	(1,900)	-	-	-	-	(1,900)
Transfer of excess depreciation on revalued assets	-	13	-	-	-	13
Surplus/(deficit) for the year	-	4,813	(1,210)	(1,242)	165	2,526
Balance as at 31 March 2006	18,851	8,817	1,958	2,148	4,289	36,063

25. Capital and reserves

Notes to accounts

26. Results of MLC

As permitted by Section 230 of the Companies Act 1985, MLC's income and expenditure account has not been included in these financial statements.

Its surplus for the year amounted to: £1,827k (2005: £157k)

27. Notes to the cashflow statement

	For the year ended 31 March 06	For the year ended 31 March 05
	£'000	£'000
Note 27a Returns on investments and servicing of finance		
Distribution to QMS	(80)	-
Interest received	346	345
	266	345
Note 27b Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(59)	(195)
Receipts from sale of tangible fixed assets	1	11
	(58)	(184)
Note 27c Acquisitions and disposals		
Sale of subsidiary	2,883	-

	1 April 2005	Cash flow	31 March 2006
	£'000	£'000	£'000
Analysis of net funds			
Note 27d Cash at bank and in hand :			
Defra Fund	4,466	127	4,593
PIDS Fund	65	2	67
Cash at bank and in hand	5,275	6,581	11,856
	9,806	6,710	16,516
Short term investments - cash on deposit	5,000	(2,500)	2,500
Total	14,806	4,210	19,016

	1 April 2005	Cash flow	31 March 2006
	£'000	£'000	£'000
Analysis of net funds			
Note 27d Cash at bank and in hand :			
Defra Fund	4,466	127	4,593
PIDS Fund	65	2	67
Cash at bank and in hand	5,275	6,581	11,856
	9,806	6,710	16,516
Short term investments - cash on deposit	5,000	(2,500)	2,500
Total	14,806	4,210	19,016

	For the year ended 31 March 06	For the year ended 31 March 05
	£'000	£'000
Note 27a Returns on investments and servicing of finance		
Distribution to QMS	(80)	-
Interest received	346	345
	266	345
Note 27b Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(59)	(195)
Receipts from sale of tangible fixed assets	1	11
	(58)	(184)
Note 27c Acquisitions and disposals		
Sale of subsidiary	2,883	-

27. Notes to the cashflow statement

Its surplus for the year amounted to: £1,827k (2005: £157k)

As permitted by Section 230 of the Companies Act 1985, MLC's income and expenditure account has not been included in these financial statements.

26. Results of MLC



All other transactions are with subsidiaries within the group and exempt from disclosure under FRS 8.

Quality Meat Scotland (QMS) represents the interests of the meat and livestock industry in Scotland. QMS has a delegation agreement with MLC and is thus regarded as a related party. During the year MLC transferred net levy to the value of £4.1m (2005: £3.9m) to QMS to finance its own operations.

MLC is a Non-Departmental Public Body (NDPB) funded by a statutory levy on producers and slaughterers of red meat (pigs, sheep and cattle) and sponsored by the Department for Environment, Food and Rural Affairs (Defra). Defra is a Government department which is also regarded as a related party. These transactions are exempt from disclosure under FRS 8, 'Related party disclosures', as the results of the entity are consolidated into the Whole of Government Accounts which are publicly available from HM Stationery Office.

29. Related party transactions

MLC As at 31 March 05	Group As at 31 March 05	MLC As at 31 March 06	Group As at 31 March 06
		£'000	£'000
		4	4
2	2	4	4
938	938	1,411	1,411
837	837	1,411	1,411
38	38	26	26
27	27	3	3
11	11	23	23
344	349	357	357
82	82	51	51
262	267	306	306
73	73	59	59
20	20	7	7
53	53	52	52
344	349	357	357
344	349	357	357
38	38	26	26
27	27	3	3
11	11	23	23
344	349	357	357
82	82	51	51
262	267	306	306
73	73	59	59
20	20	7	7
53	53	52	52
344	349	357	357
344	349	357	357
38	38	26	26
27	27	3	3
11	11	23	23
344	349	357	357
82	82	51	51
262	267	306	306
73	73	59	59
20	20	7	7
53	53	52	52
344	349	357	357
344	349	357	357
38	38	26	26
27	27	3	3
11	11	23	23
344	349	357	357
82	82	51	51
262	267	306	306
73	73	59	59
20	20	7	7
53	53	52	52
344	349	357	357
344	349	357	357
38	38	26	26
27	27	3	3
11	11	23	23
344	349	357	357
82	82	51	51
262	267	306	306
73	73	59	59
20	20	7	7
53	53	52	52
344	349	357	357
344	349	357	357
38	38	26	26
27	27	3	3
11	11	23	23
344	349	357	357
82	82	51	51
262	267	306	306
73	73	59	59
20	20	7	7
53	53	52	52
344	349	357	357
344	349	357	357
38	38	26	26
27	27	3	3
11	11	23	23
344	349	357	357
82	82	51	51
262	267	306	306
73	73	59	59
20	20	7	7
53	53	52	52
344	349	357	357
344	349	357	357
38	38	26	26
27	27	3	3
11	11	23	23
344	349	357	357
82	82	51	51
262	267	306	306
73	73	59	59
20	20	7	7
53	53	52	52
344	349	357	357
344	349	357	357
38	38	26	26
27	27	3	3
11	11	23	23
344	349	357	357
82	82	51	51
262	267	306	306
73	73	59	59
20	20	7	7
53	53	52	52
344	349	357	357
344	349	357	357
38	38	26	26
27	27	3	3
11	11	23	23
344	349	357	357
82	82	51	51
262	267	306	306
73	73	59	59
20	20	7	7
53	53	52	52
344	349	357	357
344	349	357	357
38	38	26	26
27	27	3	3
11	11	23	23
344	349	357	357
82	82	51	51
262	267	306	306
73	73	59	59
20	20	7	7
53	53	52	52
344	349	357	357
344	349	357	357
38	38	26	26
27	27	3	3
11	11	23	23
344	349	357	357
82	82	51	51
262	267	306	306
73	73	59	59
20	20	7	7
53	53	52	52
344	349	357	357
344	349	357	357
38	38	26	26
27	27	3	3
11	11	23	23
344	349	357	357
82	82	51	51
262	267	306	306
73	73	59	59
20	20	7	7
53	53	52	52
344	349	357	357
344	349	357	357
38	38	26	26
27	27	3	3
11	11	23	23
344	349	357	357
82	82	51	51
262	267	306	306
73	73	59	59
20	20	7	7
53	53	52	52
344	349	357	357
344	349	357	357
38	38	26	26
27	27	3	3
11	11	23	23
344	349	357	357
82	82	51	51
262	267	306	306
73	73	59	59
20	20	7	7
53	53	52	52
344	349	357	357
344	349	357	357
38	38	26	26
27	27	3	3
11	11	23	23
344	349	357	357
82	82	51	51
262	267	306	306
73	73	59	59
20	20	7	7
53	53	52	52
344	349	357	357
344	349	357	357
38	38	26	26
27	27	3	3
11	11	23	23
344	349	357	357
82	82	51	51
262	267	306	306
73	73	59	59
20	20	7	7
53	53	52	52
344	349	357	357
344	349	357	357
38	38	26	26
27	27	3	3
11	11	23	23
344	349	357	357
82	82	51	51
262	267	306	306
73	73	59	59
20	20	7	7
53	53	52	52
344	349	357	357
344	349	357	357
38	38	26	26
27	27	3	3
11	11	23	23
344	349	357	357
82	82	51	51
262	267	306	306
73	73	59	59
20	20	7	7
53	53	52	52
344	349	357	357
344	349	357	357
38	38	26	26
27	27	3	3
11	11	23	23
344	349	357	357
82	82	51	51
262	267	306	306
73	73	59	59
20	20	7	7
53	53	52	52
344	349	357	357
344	349	357	357
38	38	26	26
27	27	3	3
11	11	23	23
344	349	357	357
82	82	51	51
262	267	306	306
73	73	59	59
20	20	7	7
53	53	52	52
344	349	357	357
344	349	357	357
38	38	26	26
27	27	3	3
11	11	23	23
344	349	357	357
82	82	51	51
262	267	306	306
73	73	59	59
20	20	7	7
53	53	52	52
344	349	357	357
344	349	357	357
38	38	26	26
27	27	3	3
11	11	23	23
344	349	357	357
82	82	51	51
262	267	306	306
73	73	59	59
20	20	7	7
53	53	52	52
344	349	357	357
344	349	357	357
38	38	26	26
27	27	3	3
11	11	23	23
344	349	357	357
82	82	51	51
262	267	306	306
73	73	59	59
20	20	7	7
53	53	52	52
344	349	357	357
344	349	357	357
38	38	26	26
27	27	3	3
11	11	23	23
344	349	357	357
82	82	51	51
262	267	306	306
73	73	59	59
20	20	7	7
53	53	52	52
344	349	357	357
344	349	357	357
38	38	26	26
27	27	3	3
11	11	23	23
344	349	357	357
82	82	51	51
262	267	306	306
73	73	59	59
20	20	7	7
53	53	52	52
344	349	357	357
344	349	357	357
38	38	26	26
27	27	3	3
11	11	23	23
344	349	357	357

Offices

MLC Head Office

Meat and Livestock Commission
PO Box 44
Winterhill House
Snowdon Drive
Milton Keynes MK6 1AX
Tel: 01908 677577
Fax: 01908 609221
Email: contactus@mlc.org.uk
Web: www.mlc.org.uk

British Pig Executive (BPEX)

PO Box 44
Winterhill House
Snowdon Drive
Milton Keynes MK6 1AX
Tel: 01908 844368
Fax: 01908 844289
Email: bpex@mlc.org.uk
Web: www.bpex.org.uk

English Beef and Lamb Executive (EBLEX)

Graphic House, Ferrars Road
Huntingdon
Cambridgeshire PE29 3EE
Tel: 0870 242 1413
Fax: 0871 433 6205
Email: admin@eblex.org.uk
Web: www.eblex.org.uk

Hybu Cig Cymru/Meat Promotion Wales (HCC)

PO Box 176
Aberystwyth
SY23 2YA
Tel: 01970 625050
Fax: 01970 615148
Email: enquiries@hccmpw.org.uk
Web: www.hccmpw.org.uk

Quality Meat Scotland (QMS)

The Rural Centre
West Mains
Ingliston
Newbridge
Midlothian EH28 8NZ
Tel: 0131 472 4040
Fax: 0131 472 4038
Email: info@qmscotland.co.uk
Web: www.qmscotland.co.uk

European Offices

MLC Brussels

61 Rue de Trèves
1040 Brussels
Belgium
Tel: 00 322 230 8668
Fax: 00 322 230 8620
Email: peterhardwick@skynet.be

MLC France

13 bis rue Paul Séramy
77300 Fontainebleau
France
Tel: 00 331 6071 0449
Fax: 00 331 6071 0223
Email: british.meat@wanadoo.fr

Quality Meat Scotland (QMS)

The Rural Centre
West Mains
Ingliston
Newbridge
Midlothian EH28 8NZ

Tel: 0131 472 4040
Fax: 0131 472 4038
Email: info@qmscotland.co.uk
Web: www.qmscotland.co.uk

European Offices

MLC Brussels

61 Rue de Trèves
1040 Brussels
Belgium

Tel: 00 322 230 8668
Fax: 00 322 230 8620
Email: peterhardwick@skynet.be

MLC France

13 bis rue Paul Séramy
77300 Fontainebleau
France

Tel: 00 331 6071 0449
Fax: 00 331 6071 0223
Email: british.meat@wanadoo.fr

MLC Head Office

Meat and Livestock Commission
PO Box 44
Winterhill House
Snowdon Drive
Milton Keynes MK6 1AX

Tel: 01908 677577
Fax: 01908 609221
Email: contactus@mlc.org.uk
Web: www.mlc.org.uk

British Pig Executive (BPEX)

PO Box 44
Winterhill House
Snowdon Drive
Milton Keynes MK6 1AX

Tel: 01908 844368
Fax: 01908 844289
Email: bpex@mlc.org.uk
Web: www.bpex.org.uk

English Beef and Lamb Executive (EBLEX)

Graphic House, Ferrars Road
Huntingdon
Cambridgeshire PE29 3EE

Tel: 0870 242 1413
Fax: 0871 433 6205
Email: admin@eblex.org.uk
Web: www.eblex.org.uk

Hybu Cig Cymru/Meat Promotion Wales (HCC)

PO Box 176
Aberystwyth
SY23 2YA

Tel: 01970 625050
Fax: 01970 615148
Email: enquiries@hccmpw.org.uk
Web: www.hccmpw.org.uk

Glossary of abbreviations

PMWS	Post-weaning Multi-systemic Wasting Syndrome	PGI	Protected Geographical Indication
PROBE	Promoting Business Excellence	OTMS	Over Thirty Month Scheme
PwC	PricewaterhouseCoopers LLP	OTM	Over Thirty Month
QCA	Qualifications and Curriculum Authority	OCDS	Older Cattle Disposal Scheme
QMS	Quality Meat Scotland	NSP	National Scrapie Plan
QSM	Quality Standard Mark	NSES	National Scrapie Eradication Scheme
R&D	Research and Development	NPA	National Pig Association
RMIF	Red Meat Industry Forum	NHS	National Health Service
RMOP	Required Method of Operation	NFUS	National Farmers' Union Scotland
RMT	Risk Management Team	NFU	National Farmers' Union
RPA	Rural Payments Agency	NDPB	Non-Departmental Public Body
RPG	Research Priorities Group	NAO	National Audit Office
SI	Standing Instructions	MTC	Meat Training Council
SRM	Specified Risk Material	MP	Member of Parliament
TI	Technology Interaction	MLC	Meat and Livestock Commission
TSE	Transmissible Spongiform Encephalopathy	MHS	Meat Hygiene Service
UK	United Kingdom	MBM	Meat and Bone Meal
VC	Vertebral Column	LMC(NI)	Livestock and Meat Commission (Northern Ireland)
VIA	Video Image Analysis	KTR&D	Knowledge Transfer, Research and Development
WAG	Welsh Assembly Government	JSWP	Joint Sodium Working Party
WCC	Winterhill Conference Centre	IPPC	Integrated Pollution Prevention and Control
WDA	Welsh Development Agency	IMS	International Meat Secretariat
WID	Waste Incineration Directive	IC	Industry Consulting
WTA	Waste Trade Organisation	HNH	Human Nutrition and Health
ZAP	Zoonosis Action Programme	HCC	Hybu Cig Cymru (Meat Promotion Wales)
		HACCP	Hazard Analysis and Critical Control Point
		GB	Great Britain
		FTI	Food Training International
		FSA	Food Standards Agency
		FDF	Food and Drink Federation
		FACE	Farming and Countryside Education
		EU	European Union
		EFSIS	European Food Safety Inspection Service
		EBV	Estimated Breeding Value
		EBLEX	English Beef and Lamb Executive
		Defra	Department for Environment, Food and Rural Affairs
		LMC(NI)	Livestock and Meat Commission (Northern Ireland)
		MBM	Meat and Bone Meal
		MHS	Meat Hygiene Service
		MLC	Meat and Livestock Commission
		MP	Member of Parliament
		MTC	Meat Training Council
		NAO	National Audit Office
		NDPB	Non-Departmental Public Body
		NFU	National Farmers' Union
		NFUS	National Farmers' Union Scotland
		NHS	National Health Service
		NPA	National Pig Association
		NSES	National Scrapie Eradication Scheme
		NSP	National Scrapie Plan
		OCDS	Older Cattle Disposal Scheme
		OTM	Over Thirty Month
		OTMS	Over Thirty Month Scheme
		PGI	Protected Geographical Indication
		BCP	Business Continuity Plan
		BMES	British Meat Education Service
		BMNES	British Meat Nutrition Education Service
		BMPA	British Meat Processors' Association
		BNF	British Nutrition Foundation
		BPEX	British Pig Executive
		BRP	Better Returns Programme
		BSE	Bovine Spongiform Encephalopathy
		CAP	Common Agricultural Policy
		CRC	Colo-rectal Cancer
		Defra	Department for Environment, Food and Rural Affairs
		EBLEX	English Beef and Lamb Executive
		EBV	Estimated Breeding Value
		EFSIS	European Food Safety Inspection Service
		EU	European Union
		FACE	Farming and Countryside Education
		FDF	Food and Drink Federation
		FSA	Food Standards Agency
		FTI	Food Training International
		GB	Great Britain
		HACCP	Hazard Analysis and Critical Control Point
		HCC	Hybu Cig Cymru (Meat Promotion Wales)
		HNH	Human Nutrition and Health
		IC	Industry Consulting
		IMS	International Meat Secretariat
		IPPC	Integrated Pollution Prevention and Control
		JSWP	Joint Sodium Working Party
		KTR&D	Knowledge Transfer, Research and Development
		LMC(NI)	Livestock and Meat Commission (Northern Ireland)
		MBM	Meat and Bone Meal
		MHS	Meat Hygiene Service
		MLC	Meat and Livestock Commission
		MP	Member of Parliament
		MTC	Meat Training Council
		NAO	National Audit Office
		NDPB	Non-Departmental Public Body
		NFU	National Farmers' Union
		NFUS	National Farmers' Union Scotland
		NHS	National Health Service
		NPA	National Pig Association
		NSES	National Scrapie Eradication Scheme
		NSP	National Scrapie Plan
		OCDS	Older Cattle Disposal Scheme
		OTM	Over Thirty Month
		OTMS	Over Thirty Month Scheme
		PGI	Protected Geographical Indication
		PMWS	Post-weaning Multi-systemic Wasting Syndrome
		PROBE	Promoting Business Excellence
		PwC	PricewaterhouseCoopers LLP
		QCA	Qualifications and Curriculum Authority
		QMS	Quality Meat Scotland
		QSM	Quality Standard Mark
		R&D	Research and Development
		RMIF	Red Meat Industry Forum
		RMOP	Required Method of Operation
		RMT	Risk Management Team
		RPA	Rural Payments Agency
		RPG	Research Priorities Group
		SI	Standing Instructions
		SRM	Specified Risk Material
		TI	Technology Interaction
		TSE	Transmissible Spongiform Encephalopathy
		UK	United Kingdom
		VC	Vertebral Column
		VIA	Video Image Analysis
		WAG	Welsh Assembly Government
		WCC	Winterhill Conference Centre
		WDA	Welsh Development Agency
		WID	Waste Incineration Directive
		WTO	World Trade Organisation
		ZAP	Zoonosis Action Programme
		ZAP	Zoonosis Action Programme

Glossary of abbreviations

This report is printed on Revive Silk material. It is made from 75% recycled de-inked post-consumer waste, is totally chlorine free and fully recyclable.

Printed in the UK for The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office
ID 187736 07/06

Printed in the UK for The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office
ID 187736 07/06

This report is printed on Revive Silk material. It is made from 75% recycled de-inked post-consumer waste, is totally chlorine free and fully recyclable.