

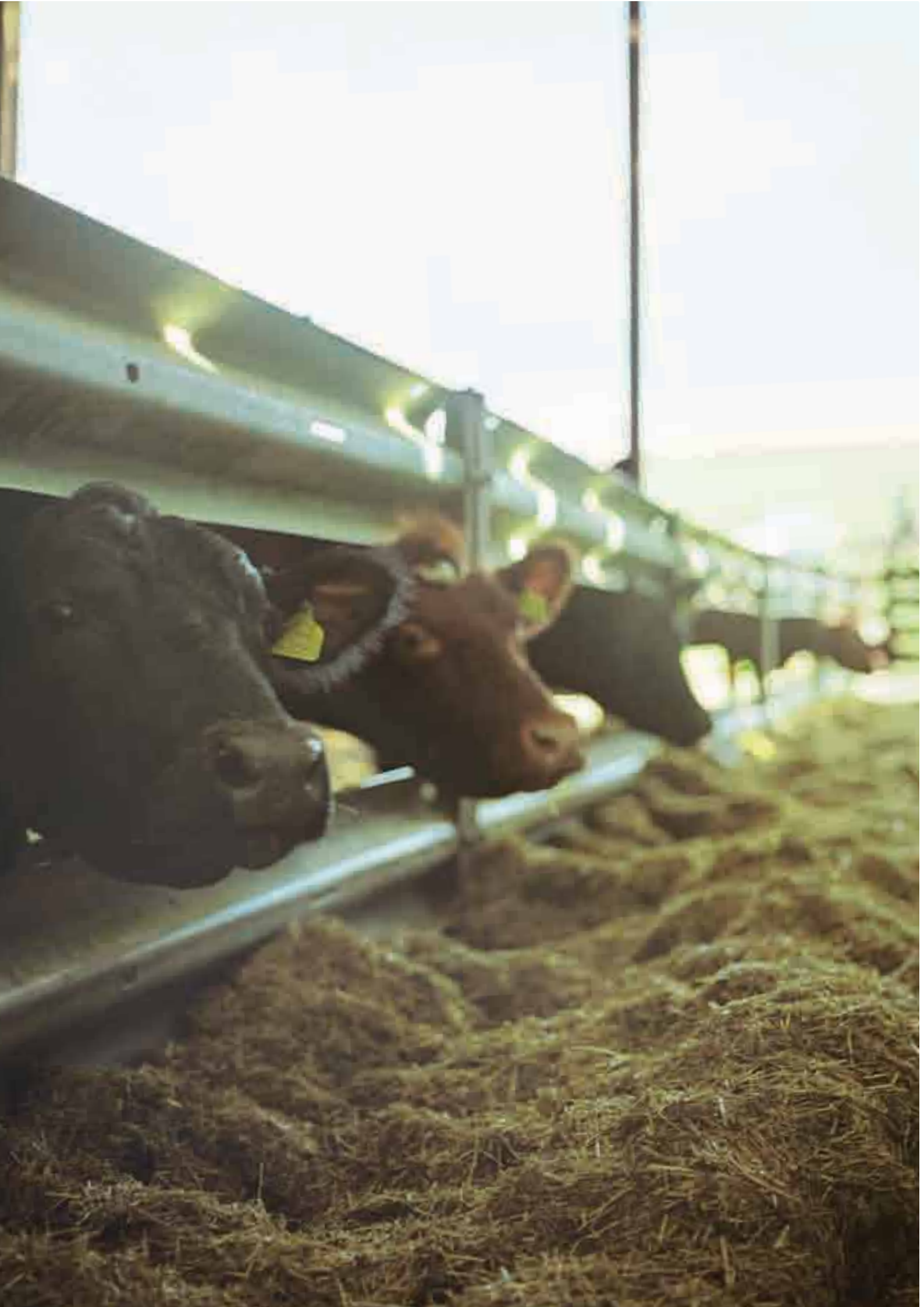


2007 Annual Report
Meat and Livestock Commission

FORTY YEARS

of industry advancement 1967/2007







Meat and Livestock Commission Annual Report and Accounts 2007

Volume I

Meat and Livestock Commission Annual Report and Accounts 2007

Volume II

Hybu Cig Cymru Annual Report and Accounts 2006-07

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

Ordered by the House of Commons to be printed 12 July 2007

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 its 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) funded through the collection of levies on sheep, pigs and cattle slaughtered for human consumption.

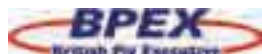
MLC operates as a federal structure. A board of MLC Commissioners appointed by Ministers ensures it fulfils its statutory duties efficiently. The responsibility for setting and delivering strategies rests with the executive boards of four bodies:

- British Pig Executive (BPEX)
- English Beef and Lamb Executive (EBLEX)
- Hybu Cig Cymru/Meat Promotion Wales (HCC)
- Quality Meat Scotland (QMS)

MLC levy rates

- The general levy is jointly paid by producer and slaughterer
- The promotion levy 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



© Crown Copyright 2007

The text in this document (excluding any Royal Arms and departmental logos) may be reproduced free of charge in any format or medium providing that it is reproduced accurately and not used in a misleading context. The material must be acknowledged as Crown copyright and the title of the document specified.

Any queries relating to the copyright in this document should be addressed to The Licensing Division, HMSO, St Clements House, 2-16 Colegate, Norwich, NR3 1BQ.

Fax: 01603 723000 or e-mail: licensing@cabinet-office.x.gsi.gov.uk.

Contents

Section 1. Meat and Livestock Commission (MLC)

06	MLC Chairman's foreword
10	MLC Chief Executive's report
18	Consumers Committee Chairman's report
20	40 years of industry advancement

Section 2. British Pig Executive (BPEX)

24	BPEX Chairman's report
----	------------------------

Section 3. English Beef and Lamb Executive (EBLEX)

34	EBLEX Chairman's report
----	-------------------------

Section 4. Hybu Cig Cymru/Meat Promotion Wales (HCC)

42	HCC Chairman's report
----	-----------------------

Section 5. Quality Meat Scotland (QMS)

48	QMS Chairman's report
----	-----------------------

Section 6. MLC commercial operation report

55	Meat and Livestock Commercial Services Limited
57	Other MLC commercial services

Section 7. Directors' remuneration report

58	Directors' remuneration report
----	--------------------------------

Section 8. Accounts for the year ended 31 March 2007

62	Introduction, foreword and principal activities
66	Statement on internal control
70	Statement of the Commission's and Chief Executive's responsibilities
72	Certificate and report of the Comptroller and Auditor General
74	Income and expenditure account, balance sheet and cash flow statement
79	Notes to accounts
97	Appendices

Section 9. Committees, offices and glossary

106	MLC Board of Commissioners and statutory committees
108	Offices
109	Glossary of abbreviations

Fortieth 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 2007.

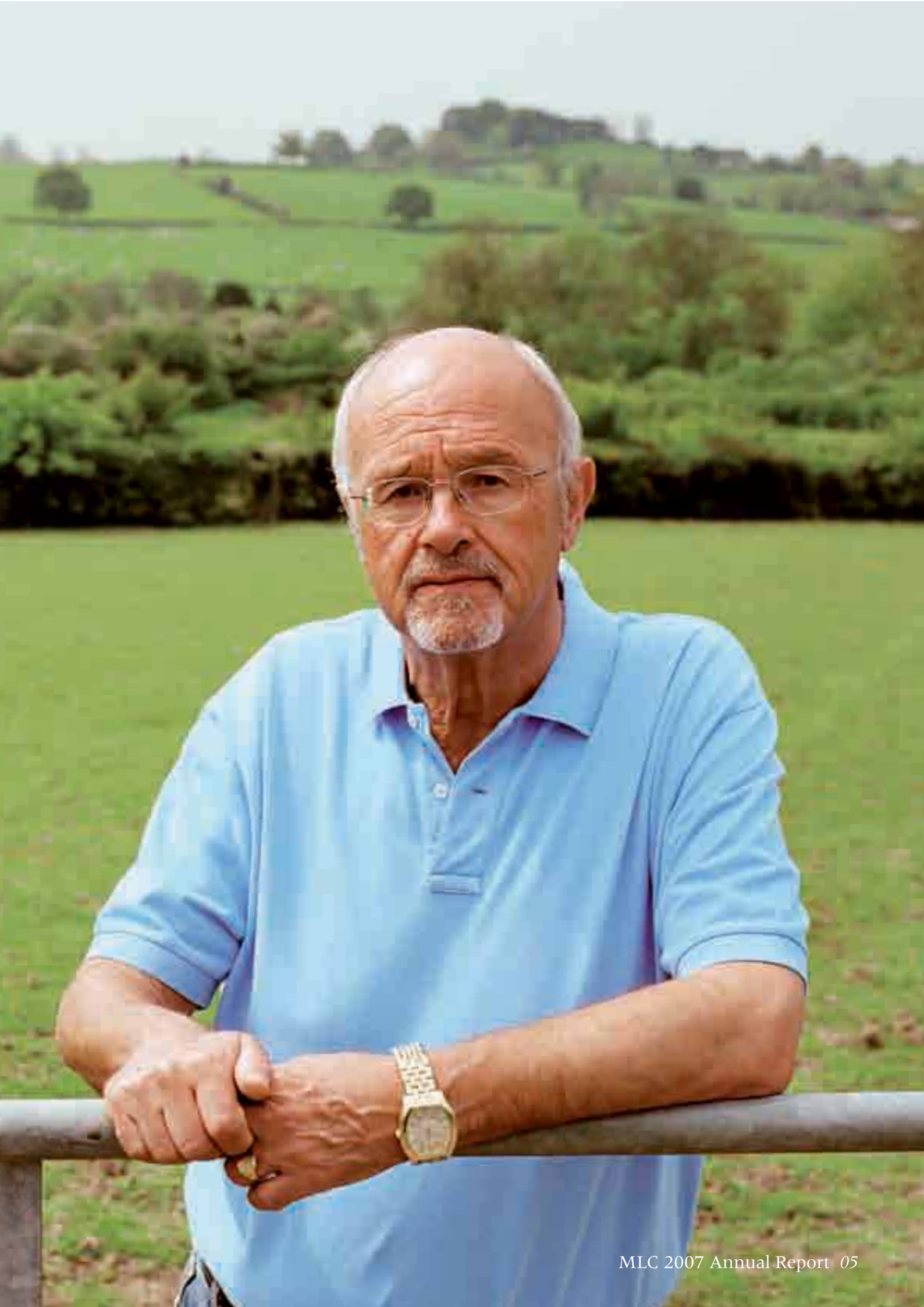
Auditors: Comptroller and Auditor General, National Audit Office, 157-197 Buckingham Palace Road, London SW1W 9SP

Design by: Glow Associates Limited, www.glowassociates.com

Photography by: Poppy Berry



Over the last forty years the MLC has carved out an enviable reputation for delivering real benefits to the whole red meat industry





Peter Barr CBE
Chairman
Meat and Livestock Commission

MLC Chairman's foreword

This is our fortieth Annual Report following the first MLC Board meeting in October 1967. Back then, the primary challenges that faced the new MLC and the British beef, sheep meat and pig meat sectors were: the need to improve production, processing and distribution efficiencies; the need to deliver more consistent quality product to consumers; and the need for improved labelling of meat at the point of purchase.



Although huge advances have been made in all these areas it is notable that these issues remain as relevant to our industry's ability to compete today as they did 40 years ago.

Today the big three policy issue challenges our industry faces are:

- the potential impact on red meat demand from the evolving international debate on diet and health
- how to mitigate our sector's contribution to greenhouse gas emissions and climate change
- how to increase the rate of competitive improvement of the bottom two thirds of the production sector.

Federal MLC – EBLEX, BPEX, HCC, QMS - and the Red Meat Industry Forum are helping our industry to tackle these challenges and good progress has been made. But there is still much to be achieved.

With our help the industry continues to enjoy a robust home marketplace with consumption of red meat restored to above pre-BSE and pre-FMD levels.

On competitiveness we continued to provide our industry with the tools to improve its technical and business performance and exploit its advantages in the marketplace.

On diet and health we have worked to ensure that the debate is balanced and conducted on the basis of accurate and factual information about the benefits of eating red meat as part of a balanced diet.

On climate change the role of livestock production in both creating and mitigating the impact of greenhouse gases means the industry must examine how it can alter existing practices in order to reduce current emissions while maintaining or, indeed, enhancing competitiveness. It must also develop strategies to deal with the adverse consequences for itself of climate change in the short and medium term. Federal MLC will be closely involved in these issues over the coming year.

The pressures of the ever-growing regulatory burden on the red meat industry also remained a concern and we have continued to work with government and other industry organisations on ways to reduce this burden.

Finally, on levy board restructuring, levy payers will, I am sure, follow closely the emergence of the new levy board structure. From the outset of the current review, the Meat and Livestock Commission has embraced the change and sought to highlight its potential benefits. The MLC Board of Commissioners has worked to realise an outcome which best matches the needs of the red meat industry. In the year ahead the Board will focus on ensuring there is a seamless handover from MLC to the new levy board by the end of March 2008.

At the end of February 2007 our Director General, Kevin Roberts was seconded to Defra to take up the post of interim chief executive of Levy Board UK. Kevin's contribution to MLC has been immense both as Director General and before that as Finance and Commercial Services Director. He has helped hone the MLC into the sharply focused, effective and financially efficient body it is today. On behalf of all the MLC Commissioners I thank him most sincerely for his hard work, his commitment and his leadership. We wish him well in his new role.

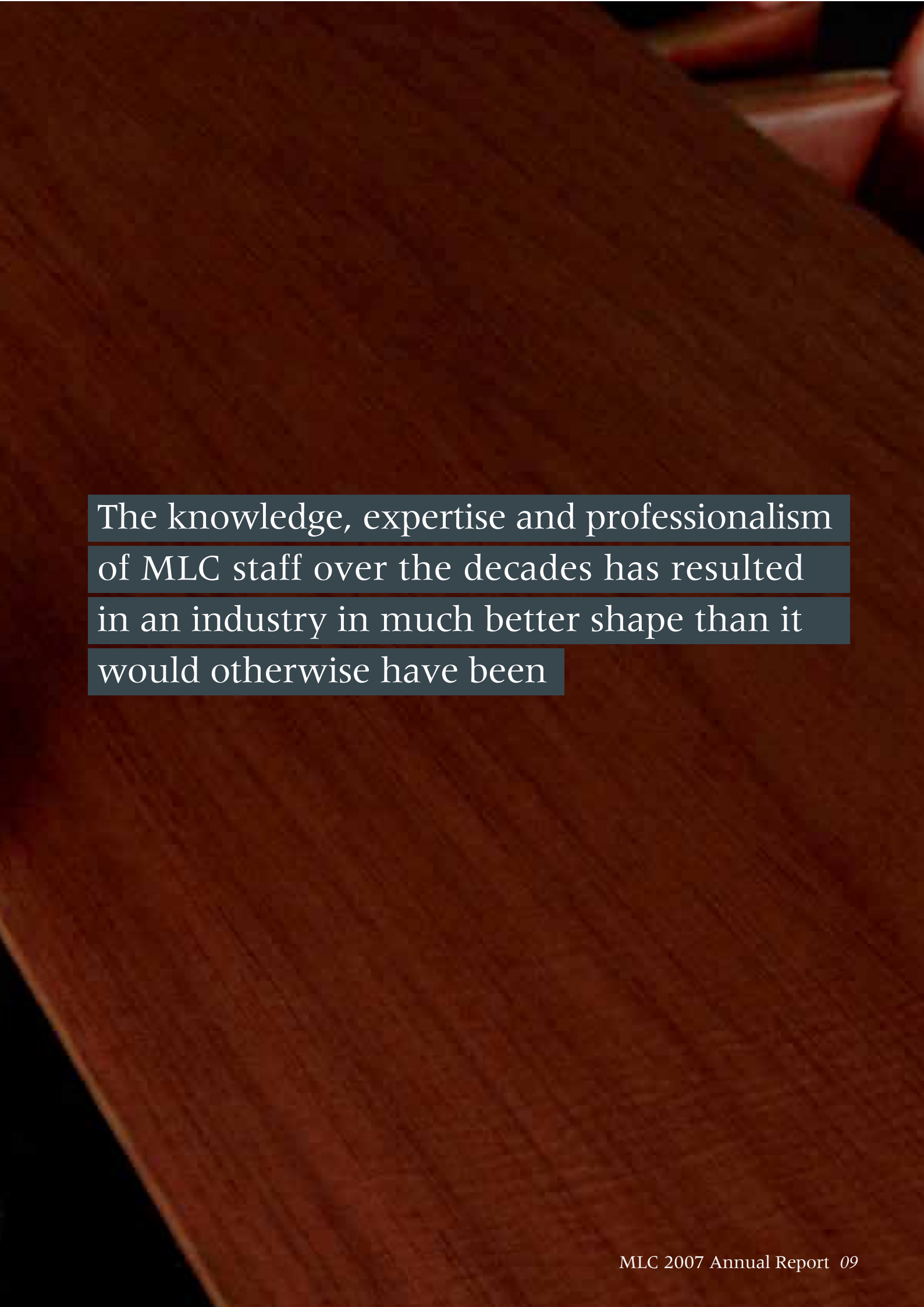
With the pressures of today's business environment it is easy to forget the achievements of past years. As MLC enters its fortieth year it is appropriate to remind ourselves of some of the levy-funded milestones we have delivered and for which the industry can be justly proud. These have included the development of the UK carcass classification systems in the 1970s to create a common language within red meat supply chains; pioneering work in developing more attractive retail meat displays; development of the meat quality Blueprints adopted by the industry; and

recovering UK beef market demand following the BSE crisis in 1996 (a comprehensive list can be found on pages 20 to 21).

The aim of the federal MLC is to help achieve a vibrant, profitable and sustainable British red meat and livestock industry in the face of stiff global competition. This Annual Report outlines how we have worked to deliver this over the twelve months to 31 March 2007.

Peter Barr CBE
Chairman
Meat and Livestock Commission





The knowledge, expertise and professionalism of MLC staff over the decades has resulted in an industry in much better shape than it would otherwise have been



Richard Lowe
Chief Executive
Meat and Livestock Commission

MLC Chief Executive's report

It has been something of a rollercoaster year for the industry and for federal MLC. On the positive side, we saw continuing firm demand for beef, lamb and pig meat. We also saw some market improvement - the resumption of normal beef exports, improving productivity and confidence in the pig sector, and the growing trend towards local meat sourcing and pressure for clear labelling of the origin of meat. However this was against a background of continuing pressures on profitability and low investment amongst both producers and processors.



During the past year I have been concerned to see the reputation of red meat as a healthy and nutritious part of a balanced diet challenged on two fronts – both of which are starting to convey a message that consumers should eat less meat.

There has been the sporadic publication of a number of scientific studies which claim a possible association between red meat eating and some forms of cancer. The fact that most of these studies were initiated some years ago at a time when it was thought that including or excluding single food groups was the answer to determining the role of diet in cancer causation seems to pass by unnoticed. Also, some sections of the media appear unable to grasp both the important distinction between processed meat products and fresh meat, and also the proper scientific assessment of risk. This is why our continued work with GPs, practice nurses and other health professionals to provide them with balanced, objective information remains vitally important.

The other potential shadow over the livestock sector, particularly ruminants,

comes from some who are suggesting that fewer livestock will help towards a quick fix in cutting the UK's greenhouse gas emissions. It is true that livestock are contributors to greenhouse gas emissions through methane production by ruminants and the nitrogen use in the production of feed grains. However, efficiency improvements derived from research in breeding and feeding systems have for more than a decade been steadily reducing the impact per kilogramme of meat produced, and this work continues. UK livestock numbers are not growing and their total greenhouse gas emissions are reducing year on year. There are other sectors of the economy where harmful emissions are rising, not falling, that perhaps merit more focus in order to slow down the level of greenhouse gas emissions.

Our purpose

The MLC's statutory 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 in order 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.

Delivering good 'value for money' back to levy payers remains a cornerstone of federal 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.

Our annually updated corporate plan details the objectives, strategies and targets of federal MLC, all linked into the MLC risk management process. The 2007/08 corporate plan is published on the MLC website, www.mlc.org.uk.

Our structure

MLC is a Non-Departmental Public Body which 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)

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

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.

Hybu Cig Cymru/Meat Promotion Wales (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) 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.

This federal structure has continued to provide MLC with the opportunity to be closer to its market, which in turn has allowed for greater responsiveness, flexibility and transparency. Reports from the Chairs of these federal bodies can be found on pages 24 to 51.

A central resource of MLC expertise (including administrative support services), based in Milton Keynes is funded by the MLC federal bodies. Under the management of the Chief Executive, this resource identifies and implements common areas of strategic activity to avoid duplication and, where required, support more locally focused strategy.

Unique within the Defra family of agri-based NDPBs, MLC includes a mature and profitable commercial operation. This has developed to provide 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.

Our funding

Federal MLC is funded through the collection of levies on sheep, pigs and cattle slaughtered for human consumption (see page 2 for levy rates). This is supplemented by EU and Government grants and from money earned from our own commercial operations.

Levy collected in each geographical/species area is allocated to each respective federal body to implement their strategy. For the year ended 31 March 2007 MLC generated gross levy income of £28.3m (compared to £27.9m the previous year), of which – £7.6m was attributable to BPEX – £12.9m was attributable to EBLEX – £3.6m was attributable to HCC and – £4.2m was attributable to QMS.

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.

All net profits from the MLC commercial operation are used

to supplement MLC levy income. For the year ended 31 March 2007 the operation contributed £316k (post tax) to supplement MLC's levy income. During the period approximately 42% of MLC back-office costs were defrayed by the commercial activities.

Our financial results

The income and expenditure account for the year ended 31 March 2007 and the balance sheet at the same date are set out on pages 74 to 77. MLC generated a surplus of £1.07m for the year to 31 March 2007 compared with a surplus of £2.53m for the previous year. Excluding the impact of FRS 17 adoption, the MLC surplus for the year was £604k.

Total net operating income of £35.87m was £6.01m lower than in 2005/06 (£41.88m) predominantly due to the impact of selling our EFSIS subsidiary in December 2005. 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 2007 working capital changes resulted in a £3.49m decrease in consolidated cash holdings and short-term investments to £10.87m (£14.36m at 31 March 2006). 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 decreased by £542k during the year, due to the repayment of part of the fund to Defra (see Note 11 to the accounts).

Our internal controls

As Accounting Officer, I have responsibility for reviewing the effectiveness of our corporate



governance procedures. I am pleased to report that we have a robust and mature corporate governance framework and our internal control systems are regularly tested and developed as necessary. A detailed report on our corporate governance is contained in our 'statement on internal control' that can be found on pages 66 to 69.

Our people

MLC is largely comprised of specialists and experts covering all aspects of red meat production and marketing. I am extremely proud of the professional approach and performance of this team of people over the past year, especially in the face of the continued uncertainties over their future role within a new UK levy board structure to be operational from April 2008.

The average number of levy-funded full- and part-time staff employed by the MLC (EBLEX, BPEX, the MLC Executive) during the year was 121, compared with 117 for 2005/06.

An additional 238 full- and part-time staff were employed within the MLC commercial operation, and were funded from fees earned from commercial activities, or within other fee-earning and grant-supported areas.

Our central services work

In addition to providing common administrative services such as IT, human resources and finance to a number of the MLC federal bodies, the central resource of MLC expertise delivered a number of collaboratively funded projects during the year.

Technical work

MLC's technical team delivered a number of larger scale research projects on a shared basis. The main mechanism for developing this shared research programme was the Joint Research Committee which met quarterly to identify new and monitor existing research work. During the year the Livestock and Meat Commission of Northern Ireland joined the group.

Examples of jointly-funded projects successfully commissioned included work on Sheep Scab, anthelmintics in sheep, a trial of the Video Image Analysis (VIA) system for sheep classification, and a large scale project designed to improve beef eating quality.

The technical team also kept a watching brief on animal disease management issues. This provided a link between levy payers and government policy on a range of diseases including BSE, Scrapie, bovine TB, Bluetongue and Foot and Mouth Disease, all of which can affect trade and 'normal' farm practice.

Consumer affairs

Meatmatters.com (formerly British Meat Information Service - BMIS) continued, as it has for more than 15 years, to provide positive, red meat based stories to magazines and food and consumer journalists. During 2006/07 the decision was taken to change the name of this workstream to meatmatters.com to reflect a modern image and also to accommodate the signing-up of a more diverse range of

funding organisations; in addition to EBLEX and BPEX, other funders included Bord Bia, Danish Bacon & Meat Council and the Livestock and Meat Commission (Northern Ireland). From 1 April 2007 Meat & Wool New Zealand will also be a funder. All these organisations have an interest in maintaining a positive image for red meat amongst UK consumers.

Meat and Education (formerly British Meat Education Service (BMES)) responded to the changing needs of teachers by moving from its long standing Meat Video Magazine (MVM) to 'Digi Bites', a suite of on-line digital film material. This reflected the increased use of PCs in every classroom. The first suite was 'Eat Right' focusing on healthy eating and will be followed by 'Produce Right' looking at quality control and production standards. To reflect this change the website has been updated and renamed www.meatandeducation.com.

The MLC also assisted Farming and Countryside Education (FACE) in developing research into the attitudes of schoolchildren to food, farming and the countryside.

The British Meat Nutrition Education Service (BMNES) continued to provide GPs, Dieticians and Practice Nurses with nutritional information and resources that delivered messages regarding the low fat content of red meat and its essential role within a healthy balanced diet. Its excellent publication "Nutrition for Nurses" increased subscription notifications by 35%. The third tracking study of GPs' perceptions of red meat and healthy eating showed a positive result - for the first time a majority of GPs responded correctly that beef is a better source of iron than spinach!

Menu transparency project

MLC's work in this area during the reporting period culminated with a Menu Transparency symposium held in London on 5 March 2007. The event allowed MLC to promote the need for more transparent labelling of red meat

on menus to Government, NGOs, the food service and farming media, and operating companies. Lord Rooker addressed the symposium, restating Government support for the MLC's voluntary code and emphasising that consumers clearly wanted the same levels of origin information out of home that the retailers were now giving to their customers.

Consumer market research

In the area of market research MLC published a report 'Green Shoots' detailing societal changes that are taking place that clearly demonstrate that consumers are reverting to a more considered pattern of purchasing and cooking food. This provides a positive background for meat consumption as consumers return to preparing and cooking more meals from scratch.

Economics work

Our Economics team continued to collect a comprehensive range of industry statistics and to publish these and other market insight reports in MLC's wide range of publications.

'Moving Forward', a forward-looking report on the British sheep industry, was produced and an industry workshop held to generate thinking and discussion about the longer-term direction of the sheep industry against the challenges facing it.

A common revised presentation of enterprise costings data in respect of cattle and sheep production was agreed with MLC federal bodies, as well as the inclusion of new data on unpaid family labour and other non-cash costs.

MLC also centrally coordinated the submission of written and oral evidence and other information to the Competition Commission's on-going market investigation into the supply of groceries by retailers in the UK.

Issues management and industry defence

MLC continued to be closely involved in a wide range of Government and industry initiatives and has been instrumental in assisting the industry

across a range of issues. For example we sat on the Incorporated Society of Broadcast Advertising (ISBA) Committee on advertising to children, responded to consultations on nutrition labelling, participated in the industry's Joint Sodium Working Party and more recently the Fat Reduction Working Party,

The anticipated publication in November 2007 of the updated World Cancer Research Fund (WCRF) report on food, nutrition and the prevention of cancer is anticipated to be a major challenge for red meat in some areas. Together with the International Meat Secretariat, the MLC continued to deepen its understanding of the science and started to prepare its media and communications plans.

Wider collaboration on major issues, such as climate change, was facilitated through MLC's membership of the Applied Research Forum which links MLC federal bodies with the levy-funded bodies in the crops, horticulture, milk and potatoes sectors.

The MLC and Meatmatters.com 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 those covering the story.

Our stakeholder communications

MLC and its federal bodies seek to nurture sustainable working partnerships with major international meat organisations, government, other NDPBs and key industry organisations and stakeholders in order to help deliver our statutory functions.

Farming and meat industry organisations/sectors are represented on the main MLC Board as well as the boards of MLC federal bodies. There

are daily informal and formal meetings with government and industry to discuss specific projects and issues. The vast majority of day-to-day stakeholder communications takes place via the MLC federal bodies.

A number of formal annual events are also hosted by MLC aimed at keeping stakeholders, industry organisations and governments informed about industry issues and the work of the MLC. In 2006/07 these included the MLC Chairman's annual Westminster barbecue where Ministers, MPs, Lords and senior civil servants met and informally discussed issues with federal MLC and industry representatives; the MLC Chairman's Brussels Reception where EU issues were aired; the David Black Award breakfast event; and the 2007 MLC Outlook conference with sessions on climate change, consumer behaviour and regulatory developments in Brussels, as well as the regular sessions on the market outlook for the cattle, sheep and pigs sectors in the coming year, including MLC's latest forecasts.

Red Meat Industry Forum (RMIF)

MLC continued as the delivery partner in the RMIF, with Defra, NFU and IGD, and administered 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 fifth year of operation, with funding in place through to March 2008.

At farm level, a new entry-level farm costings product, Snapshot, was developed with EBLEX to join the portfolio of costings and benchmarking tools already on offer for beef and sheep producers. Launched in January 2007, 1,800 Snapshot benchmarks were completed by 31 March 2007. For pigs, the BPEX British Pig Health Scheme

joined the benchmarking scheme so that the financial impact of health improvement could be seen in the financial performance of the farm.

Post farmgate, RMIF completed its programme with 100 small businesses to demonstrate that Hazard Analysis and Critical Control Point (HACCP) can lead to better overall management as well as higher hygiene standards. RMIF continued to demonstrate to the industry how process improvement could raise profitability, and in conjunction with EBLEX extended this to the gutroom.

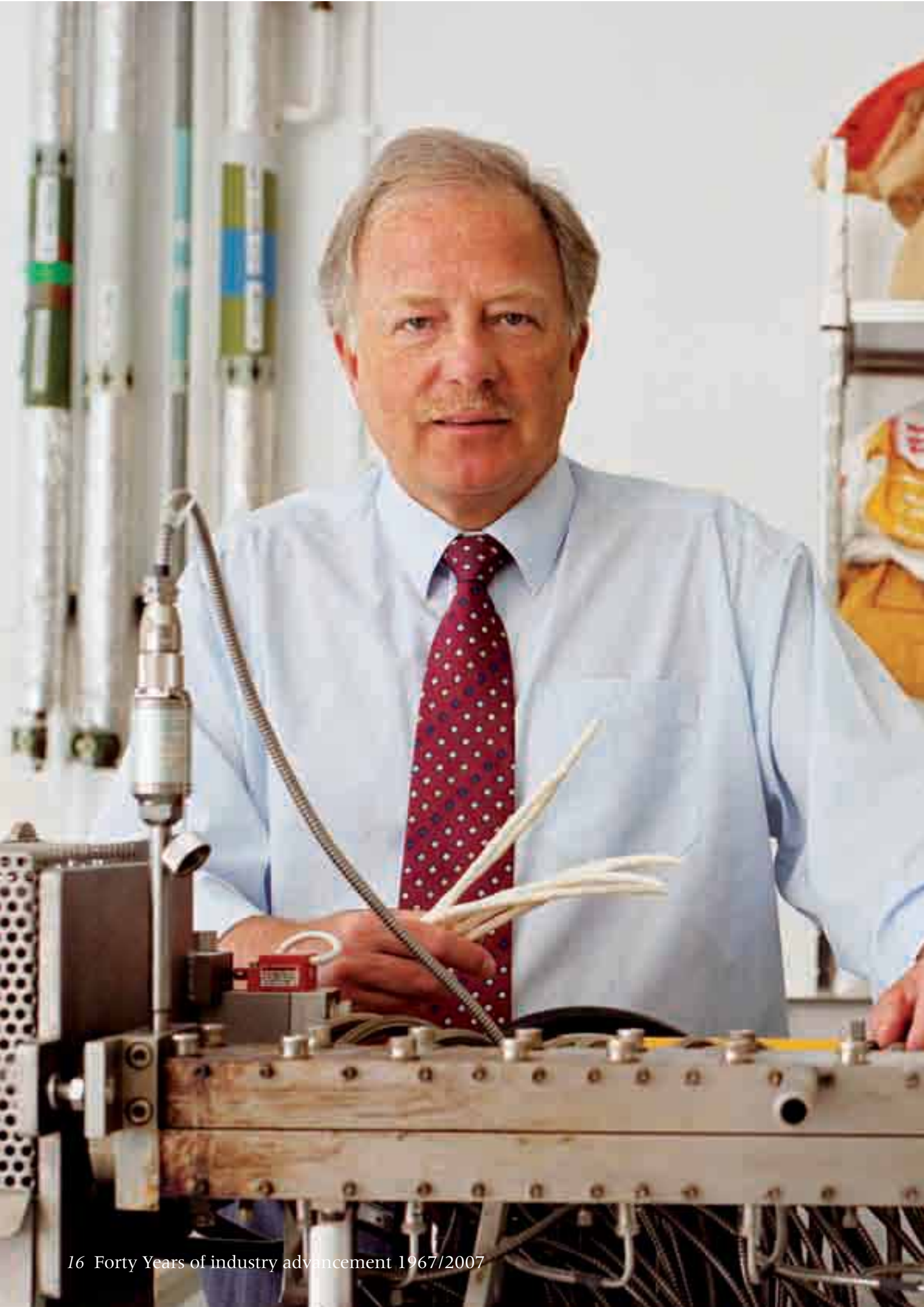
A new programme was developed to deliver whole chain improvement to red meat chains. It pooled all the knowledge of previous RMIF activity and worldwide good practice into a set of easily understood activities which identify where the chain could improve itself.


Challenges ahead

The MLC has a lot it needs to deliver over the next twelve months. There are big issues facing the British meat and livestock industry, including meeting the challenge of climate change, issues around diet and public health, and the continuing need to improve our competitiveness within the global marketplace.

In parallel we have to manage the process of change needed to implement our part in the levy board restructuring exercise, due to be completed by April 2008.

Richard Lowe
Chief Executive
Meat and Livestock Commission





Because of its unique role between the farmer and the consumer the MLC has, despite a number of safety crises, been able to maintain red meat as a key component of the British consumers' healthy diet



Professor Richard Moody
Chairman
MLC Consumers Committee

Consumers Committee Chairman's report

Last year was challenging for the Committee as it needed to consider the implications of the Levy Board Review for the consumer, as well as conduct its normal business. The Committee's level of engagement in the review process was a strong indication of its belief that the consumer perspective should remain a key cornerstone of future levy board policy.



Some of the most important issues addressed by the Consumers Committee were related to nutritional labelling - traffic light and OFCOM schemes, origin labelling in food service and the new standards laid down for school meals. In addition, meat and cancer research, education and the Year of Food and Farming were areas reflected on for advice through to the Board of Commissioners.

During the year the Consumers Committee became aware that it would cease to exist at 31 March 2008. Its members therefore decided that the Committee should produce a report for the new levy board and other key stakeholders which would identify the main strategic consumer issues for the medium term in relation not only to meats but in the context of the diet as a whole. Whilst this is currently being researched and written, it has been apparent from the outset that nutrition and the environment would be the two key drivers of consumer behaviour in

this respect. These are certainly Governmental priorities and though they are not yet top priority for the consumer their importance is set to increase. The report will provide key strategic direction for stakeholders on these issues.

The Committee was set up to represent the interests of the consumer as an integral component of the support which MLC provides to the red meat sector.

The work of the Committee is delivered primarily through the role of its Chairman as an independent MLC Commissioner. Major strategic issues which will impact directly on the consumer are brought to the Committee by the MLC's internal Consumer Issues Forum, and after debate and input, advice and recommended action are enacted through the MLC Board of Commissioners and/or through MLC staff.

The year ahead

The year 2007/08 will be the final year of the MLC and this Committee, and it is firmly hoped that the new levy board under the Chairmanship of Dr John Bridge will continue to value the critical importance of firstly identifying and then acting upon the consumers' needs. If they are minimised or ignored in the face of commercial pressures then international competitors will quickly make further inroads into the UK market.

Professor Richard Moody
Chairman
MLC Consumers Committee

40 years of industry advancement

Raising efficiency and standards

Breeding improvement

MLC has been instrumental in helping the beef and sheep industries improve carcase quality and breed performance through selective breeding programmes and through pedigree and commercial recording. Systems developed from weight recording on farm, through to bull testing stations and then into national BLUP schemes for beef cattle and sheep

Pig industry competitiveness

MLC's Stotfold Pig Development Unit has delivered a range of research projects which have had a major impact on pig industry competitiveness. Projects included development of a popular sow feeding strategy and the liquid feeding technology to deliver cost of production savings of 14p/kg deadweight

Raising hygiene standards

In 2000 MLC trained 7,300 English butchers in Hazard Analysis Critical Control Points (HACCP)-based food safety techniques, helping these businesses raise hygiene standards

Food safety inspection

To raise standards and improve consumer confidence, MLC with Campden & Chorleywood Food Research Assoc. set up a successful business providing specialist independent red meat inspection services. The European Food Safety Inspection Service (EFSIS) was sold in 2005 generating £2.92m to supplement MLC levy funds

Quality Blueprints

MLC researched and developed the widely adopted industry 'Blueprints' for the production of consistently high eating quality pig meat, sheep meat and beef

Reducing fat in meat

MLC has been instrumental in using breeding programmes to reduce the fat content of pig meat, sheep meat and beef and to increase growth rates of saleable meat in all species. The fat content of beef is down from 25% to 5%; lamb from 31% to 8%; pork from 30% to 4%

Butchery and meat displays

MLC pioneered work in new butchery techniques and the development of more attractive retail meat displays

Grant funding success

Over the last 40 years MLC has secured an extra £2.50 of UK and EU grant funding to match each £1.00 of levy funds spent on research and development

Reducing red tape

MLC has made the case for amendments to many existing and proposed EU and UK legislation, to reduce red tape and minimise any disadvantage to the British industry

Issues management

Leading the industry

MLC has a track record of leading and facilitating industry recovery after crises including deploying scientists, economists and communication specialists to help provide crisis management services to the industry, when and where required

Crisis response

Following the 1996 E.coli outbreak in Scotland MLC was instrumental in helping to implement the meat industry response including the Clean Livestock Policy and how HACCP techniques could be applied in red meat businesses

Overcoming disease

MLC helped the industry overcome the ravages of a wide range of livestock disease issues such as the BSE crisis, and the Foot and Mouth Disease and Classical Swine Fever outbreaks

Defending the role of meat

MLC has constantly defended the role of meat in a healthy balanced diet against factually incorrect attacks from animal rights and vegetarian lobbies and reports associating consumption of red meat with ill-health

Support to Defra

MLC regularly provided operational support to Defra during times of crisis, particularly in the areas of inspection and monitoring services



Promoting red meat

Improving attitudes to red meat

MLC's award winning advertising and public relations campaigns for red meat in general (and beef, pork and lamb specifically) have significantly improved consumer attitudes towards red meat

Differentiating quality product

MLC launched the British Meat Quality Standard Mark for pork to help consumers differentiate high welfare farm assured pork bacon and ham from commodity product

Revitalising lamb

MLC helped attract younger consumers to lamb-eating through the development and marketing of more convenient lamb cuts

Understanding consumers

The MLC consumer insight team is the country's foremost knowledge centre on meat consumers. It interprets and analyses both published and original data to help the industry in its marketing planning

Growing exports

MLC has led in the establishment of export certification with third countries. MLC export marketing support to the industry has contributed to an improved export mentality in many meat companies as well as opening up significant trade opportunities in Europe and other countries

Work with schools

MLC has worked with schools and colleges since the 1960s. Today's curriculum-based resources are acknowledged by education authorities and teachers as a very valuable source of balanced food information and teaching materials

Beef market recovery

MLC consumer marketing was instrumental in restoring consumer confidence in beef following the BSE crisis in 1996:

- Developed and launched the British Minced Beef Quality Mark and a quality mark for beef burgers in 1997 (minced beef represents more than 40% of beef sales)
- Developed and ran the widely acclaimed Recipe for Love advertising campaign
- Was a prime mover in getting beef back on school menus. In 1996, 202 local authorities had bans in place – now there are none

School meals

MLC activity across health, nutrition and education sectors resulted in red meat being served more frequently in primary and secondary schools as part of new minimum standards for school meals

Restoring beef exports

MLC played an instrumental role in helping the beef industry to restore normal British beef exports in 2006 and to exceed expected export volumes by 100% in the first 12 months

Market information and other initiatives

Reliable market intelligence

MLC established effective and reliable market intelligence systems particularly in the area of price reporting and market forecasting

Vital EU information

MLC put in place a Brussels office which has become a vital source of information, advice and influence within the EU legislative arena

Supplementing levy funds

MLC set up a commercial operation in 1996 which has contributed £12.6m to supplement MLC levy income

Supply chain assurance

In 1997 MLC helped set up Assured British Meat (ABM) to assist the industry to build the independent integrated supply chain assurance required to give consumers confidence about the safety and integrity of the product

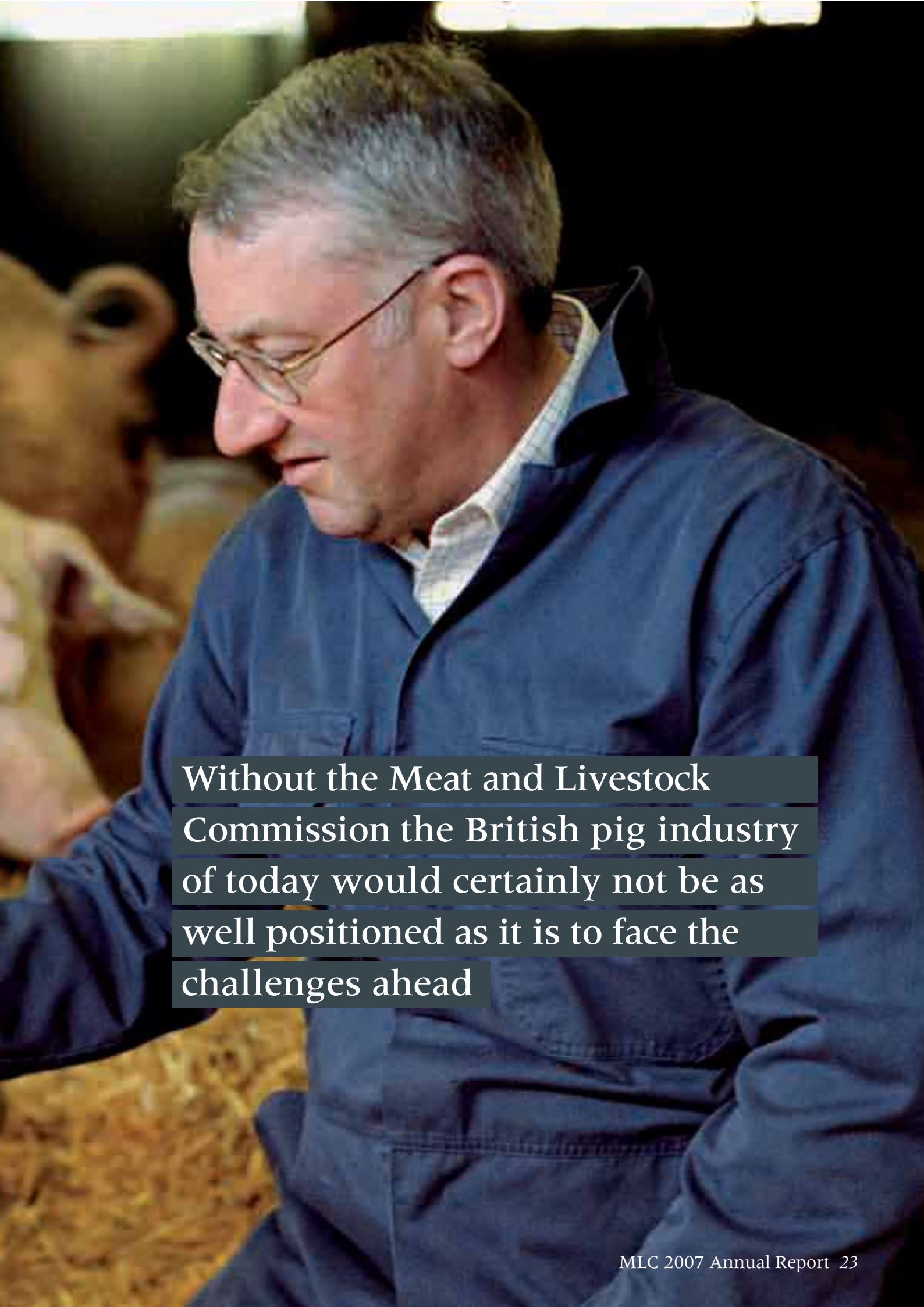
Business improvement

MLC created the Red Meat Industry Forum in partnership with Defra, IGD, and NFU to encourage business improvement techniques to be applied throughout the red meat industry

Structured to deliver

MLC championed single species strategy councils to improve involvement from levy payers in decision making. With political devolution it created a federal structure, closer and more responsive to the market. This model was praised in the Radcliffe Report on the restructuring of UK levy boards



A man with short grey hair and glasses, wearing a blue jacket over a light-colored shirt, is looking down and to the left. He is in a farm setting, with a pig visible in the background. The lighting is warm and focused on the man.

Without the Meat and Livestock
Commission the British pig industry
of today would certainly not be as
well positioned as it is to face the
challenges ahead



Stewart Houston
Chairman
British Pig Executive

BPEX Chairman's report

The British pig industry has seen a welcome period of relative stability in prices during the last year. This has contributed greatly towards more investment in herd health, a resulting improvement in national productivity and a more general feeling of confidence in the industry's ability to compete in the future.



However, this confidence is fragile and is being threatened by the rapid rise in feed costs resulting from the growth in demand for biofuels. In addition many medium-sized producers are being caught up in environmental legislation and the consequential bureaucracy that is causing some to question their future involvement in pig production.

The consumer market for pork and pork products remains firm and pig meat has maintained its position as the largest of the meat sectors with sales of £685 million. It has been particularly encouraging to see strong growth in the premium sector where English and Welsh pork has a dominant position.

Our objectives

The BPEX mission is to enable the England and Wales pig industry to achieve sustainable international competitiveness through reduced production and processing costs and maximising the value of its pork and pork products.

This is achieved through the Road to Recovery 2006-2009 strategy (see www.bpex.org/about/pdfs/RoadtoRecovery2006-09.pdf) that aims to:

- help the industry recover herd health
- help the industry improve cost competitiveness to a level at least comparable with our main EU competitors
- build industry confidence to invest in the future
- increase the demand for British pork and pork products.

The BPEX Board

The BPEX Board consists of six producers elected through the National Pig Association and four members nominated by the British Meat Processors Association. Ministers appoint the Chairman through an independent process. In 2006/07 the BPEX Board members were:

Stewart Houston, Chairman and MLC Commissioner
Adam Couch (British Meat Processors Association)
Jon Easey (National Pig Association)
Neil Hammond (British Meat Processors Association) - resigned July 06
Steve Hart (National Pig Association)
Bob Howe (British Meat Processors Association)
John Hughes (British Meat Processors Association)
Richard Lister (National Pig Association)
Richard Martin (British Meat Processors Association)
John Rowbottom (National Pig Association)
Mike Sheldon (National Pig Association)
Meryl Ward (National Pig Association)

A short biography of each Board member is available on the BPEX website: www.bpex.org.uk

Delivering our objectives

Knowledge transfer, research and development (KTR&D) play a vital role in helping the pig industry improve herd health and cost competitiveness. BPEX undertook a comprehensive review of industry KTR&D needs and consulted widely on the conclusions. The most significant change was to increase substantially the budget from £1.3million net levy spend a year to £2.2million. Match funding has been identified to increase the total to £4.4million. Implementation of the KTR&D plan continued in 2006/07 following the appointment of a Pig Industry Development Director and includes the appointment of a six person Knowledge Transfer team to work with producers and processors.

Help the industry recover herd health

- The British Pig Health Scheme (BPHS) provides producers and their veterinarians with feedback on post-mortem health information from the abattoir. Membership of the scheme continued to expand and at the end of the year had reached nearly 700.
- The NADIS veterinary practice surveillance network was sponsored by BPEX. Monthly reports on trends in pig diseases were circulated widely to the industry.



- Research has been commissioned on a range of topics that address herd health improvement. These include the following; risk factors for pig disease; on-farm epidemiology of major enteric diseases; efficacy of disinfectants.
- BPEX collaborated as a commercial partner with a number of universities on four projects on endemic diseases in pigs.
- Four PhD and three MSc studentships were supported at a number of British universities.

Help the industry improve cost competitiveness to a level at least comparable with our main EU competitors

- The Pig Development Centre was launched as a collaboration between BPEX, Leeds University, Newcastle University and the Veterinary Laboratories Agency, Thirsk.
- The Bristol University/BPEX Pork Chain Unit was established to study improvements to pig meat eating quality.
- The pig industry training strategy 'from sustainability to sustained ability' was supported through the provision of training material and the employment of a national training coordinator.
- The BPEX artificial insemination (AI) quality assurance scheme for the provision of porcine semen was developed with industry and adopted by the major breeding companies in the UK.

- Research projects were commissioned on a range of issues including a husbandry advice tool on tail biting, improving the uniformity of pork, and energy efficiency in pig production.
- Specific advice and support on environmental issues affecting the pig industry was provided through a dedicated member of the BPEX Technical team. Much of the work focused on integrated pollution prevention and control (IPPC) applications. The initial work to develop a Pig Industry Environment Strategy (PIES) was undertaken during the year.

Build industry confidence to invest in the future

- The British Pig Project produced comprehensive blueprint information on the construction of new finishing buildings. Interest has been good and 30 packages were distributed during the year.
- Support was provided for Red Meat Industry Forum work with the pig industry. Focus was put on benchmarking and business process improvement in order to demonstrate areas for improvement and encourage investment.

Increase the demand for British pork and pork products

- The main focus continues to be on the promotion of whole chain, quality assured pork and pork products using the Quality Standard Mark (QSM). In addition to trade PR activity a major consumer campaign was conducted under the title of 'Love QSM Pork'.

- Greater integration in supply chains was stimulated through the on-going Supply Chain Grant Scheme. This has stimulated the production and consumption of assured pork and pork products through a range of large and small supply chains.
- The production and sales of new and innovative quality pork and pork products was stimulated through a range of national and regional activities. The national activities centred on Bacon Week and Sausage Week while regional and local events were centred on regional road shows and product competitions.
- BPEX helped to co-ordinate industry engagement with various government departments in areas such as salt and fat levels in processed pork products and the role of pork and pork products in school and health service menus.
- A comprehensive service was provided to the industry to enable the monitoring and interpretation of consumer market research. A number of detailed Category Reports on specific parts of the pork market were produced and circulated to the industry. In addition a regular feedback on trends in the market was provided to allow the industry to match consumer requirements more closely.



The year ahead

The year ahead will present a number of challenges. High among these will be seeking to cope with the escalation of feed costs in the UK, the EU and beyond. A combination of a relatively poor harvest due to the hot weather in 2006, poor harvest expectations from the major world grain exporters in 2007, and a substantial increase in the demand for maize and oilseeds to meet the growing requirement for biofuels have combined to force up feed prices.

This has two implications for BPEX and the pig industry. Firstly, there is likely to be the risk of more volatility in feed costs. While this volatility will be transmitted through market forces it may be possible for producers to mitigate some of the effect through the use of risk management tools. Secondly, the impact of increased volatility in feed price will be global with no pig industries inside or outside the EU immune to them. Consequently there will be inevitable pressure to increase prices paid to producers. Unless there is some movement in the market the future viability of the pig industry in all countries will come under question.

This sharpens up the BPEX priorities for the coming year. There will be a need more than ever to assist the industry in becoming more competitive. While product cost price is unlikely to fall given the feed price rise we will be helping the industry to continue to recover productivity. In addition we will be helping to

gain more value from the market, particularly in the premium and standard plus segments of the market. We will also be working closely with government and the industry to gain maximum access to non-EU markets.

Environment issues will also be a priority for the industry in the coming year. BPEX will be working in partnership with Defra, the Environment Agency, NPA and NFU to develop and launch PIES (Pig Industry Environment Strategy). This aims to deliver a sustainable pig production industry both environmentally and economically.

Stewart Houston
Chairman
British Pig Executive

Further information on the work of BPEX is available on the BPEX website, www.bpex.org.uk

BPEX performance against target 2006/07

1. Help the industry recover herd health

Table B.1

Strategy	Target	Performance
Objective 1.1 – British Pig Health Scheme		
1 – Manage the operation of the British Pig Health Scheme in England and Wales including the coordination of Scheme contractors. Stimulate the implementation of herd health improvement plans to effect improvements in average herd performance based on information provided by the British Pig Health Scheme	Recruit 70% of assured finishing units on to the scheme, undertake 90% of assessments in abattoirs on the published dates, disseminate 90% of reports within 48 hours	61% of individual assured units recruited to BPHS scheme and over 85% of assured business with at least one unit in the BPHS scheme. 92% of reports disseminated within 48 hours of assessment
Objective 1.2 – Coordination of the Pig Industry Health and Welfare Strategy Council		
1 – Provide an efficient and effective secretariat to the British Pig Health and Welfare chairman and board members ensuring clear communication and updates on activity to deliver the strategy	Dissemination of papers at least 10 working days before meeting. Publication of meeting summaries on website within 5 working days of meetings	Papers disseminated on average 5 working days before meeting. Meeting summaries published on website 15 working days after meeting

2. Help the industry improve cost competitiveness to a level at least comparable with our main EU competitors

Table B.2

Strategy	Target	Performance
Objective 2.1 – EU Information and Leverage		
1 – The Brussels office will monitor and comment on developments in EU policy and legislation. It will also inform decision-makers and stakeholders of BPEX views, using its contact and influence to guide legislation in favour of the British industry. It will provide support for demand and competitiveness initiatives in the areas of market access and external funding	(a) Monthly policy and legislation summary for the BPEX web-site (b) Daily North America bulletins (c) Specialist media visit (d) 2 Information sessions for BPEX staff/stakeholders per annum (e) Clear communication of BPEX position on WTO/risk of market liberalisation (f) Quarterly meetings with MEPs and officials on key issues as agreed with BPEX	(a) Monthly summaries delivered (b) Bulletins delivered (c) Specialist Media visit carried out (d) Participation at BPEX board meeting to communicate on key issues (e) MLC Brussels has worked with UECBV and other equivalent bodies to ensure that issues relating to market access and sensitive products are clearly communicated (f) Ad hoc meetings taken place as needs and issues have arisen
Objective 2.2 – Pig meat supply chain business improvement		
1 – Pig chain businesses recruited to participate in business improvement processes. Identification of international best practice and disseminate through the industry. Expand the coverage of the senior management development programme and instigate the young leader programme	(a) Complete 6 business activities monitored through industry uptake and case study assessment. (b) Complete 2 activities. Testimony of benefit from participants	4 On farm Masterclasses completed delivering 40% ~50% productivity improvement. Masterclass "champions" used at a workshop attended by 11 pig businesses. Work continued with SME processors. Senior executive events held. Young leaders programme fully recruited
Objective 2.3 – Market and policy analysis		
1 – Provide UK and GB market forecasts, manage the InterPig network, manage the agrosoft industry data contract and provide legislative and policy analysis that identifies emerging threats. Organise and manage civil service seminars and organise and manage the David Black Award	Quarterly review of accuracy of forecasts:- slaughterings: within +/- 2.5%- total supplies: within +/- 3.0%. Production of annual Cost of Production report. Survey of BPEX website users on the coverage and usefulness of the monthly commentary on a scale of 1 – 10	Quarterly forecasts issued - Accuracy of forecasts: slaughterings within 2.0%; total supplies within 2.7%. Annual cost of production report published in December 2006. Website survey rate updates as "satisfactory," with some topics as 'very useful' and others as of 'limited use'
Objective 2.4 – Knowledge transfer		
1 – Northern/Eastern and Southern Region Pig Development Centre will be created as partnerships between veterinary practices, marketing groups, universities. Pork Chain group established at Bristol. Develop a grant scheme to incentivise people to demonstrate their new facilities / investment / ideas	Customer satisfaction survey to be undertaken at 2006 pig fair. Achieve an 80% satisfaction score	Pig Development Centre set up. Pork Chain Unit established. Projects with two major pig veterinary practices commissioned. Producer meetings held on wide range of production performance and efficiency issues. Range of training material and advice leaflets published. Annual customer satisfaction survey showed 100% 'satisfactory' rating and 89% above 'satisfactory'

BPEX performance against target 2006/07

2. Help the industry improve cost competitiveness to a level at least comparable with our main EU competitors

Table B.2 *continued*

Strategy	Target	Performance
Objective 2.5 – Development		
1 – Visits to conferences, pig research facilities, academic groups to establish contacts for specific expertise. Rapid development of commissioned research projects through a network of UK Development Units – University and Innovative Commercial producers established	Establishment of development grant scheme and 7 successful applications in 2006	Development grant scheme launched, first applications in discussion at year end
Objective 2.6 – Applied research		
1 – Issue a series of concept notes to attract project tenders for identified knowledge gaps in UK pig research. Hold an annual seminar and publish an Annual Technical Report to communicate research, development and knowledge transfer activity and findings to all stakeholders	Dissemination of KT packages to 90% of pig production, receipt of concept notes for 80% of activity identified in 2005 strategy review	Range of new projects commissioned. Dissemination of findings from the Defra funded weaner research project to businesses representing c.90% of pig production. Annual report published detailing the KTR&D work

3. Increase demand for British pork products

Table B.3

Strategy	Target	Performance
Objective 3.1 – Differentiation through the Quality Standard Mark		
1 – Monitoring of packaging, Trade press PR, Working with retail buyers, Consumer PR and political PR, development of the QSM website and ensuring QSM standards are represented to food service buyers	The monitoring of targets will be through the use of Porkwatch, a bi-monthly survey of around 200 retail stores. Results will indicate the levels of retailer use of the QSM on product packaging. In addition a review of PR coverage achieved versus costs invested will be conducted	Continued use of the QSM to differentiate pork. Presence of QSM product in retail as measured in the PorkWatch survey was Ham 13%, Bacon 17%, and pork 62%. A review of consumer PR spend versus coverage showed a ratio of 1:10
Objective 3.2 – Integrating supply chains		
1 – Promotion and administration of tranches 8 and 9 of the supply chain, development of a suite of training/self help materials, define a core of key product category objectives based on market mapping and run a trade PR programme in both catering and retail press	Grant applications for Tranches 8 and 9 to be invited, assessed and grants made before the end of 2006	Tranche 8 and 9 of supply chain grant scheme undertaken. Online business toolkit developed
Objective 3.3 – Increasing demand for pork		
1 – Development of umbrella campaign theme, building on 'healthy' campaign of 06/07, sell in campaign theming key retailers and processors and execute consumer PR campaign through women's trade press	Attitudes to pork across a range of measures using Millward Brown - achieve a 2% uplift in scores based on the baseline of 2005	'Love Pork' umbrella theming developed and successfully sold into the top 7 retailers. Millward Brown Awareness of QSM pork increased from 35-37% during this period
Objective 3.4 – Defending pork and pork products from adverse policy initiatives		
1 – Continued liaison with FSA and DoH officials, bespoke research on the effects of government proposals, in-depth consultation responses to government initiatives, manage the delivery of British Sausage Week. Through British Meat Information Service (BMIS) and British Meat Nutrition Education Service (BMNES) present pork and pork products as wholesome food with nutritional benefits	Deliver a decrease in adverse attitudes to pork measured across annual survey of officials' views on meat and pork products, through Millward Brown's survey of consumer attitudes and additionally via published official attitudinal data from ASA	A range of consultation responses and defence documents developed and deployed. Millward Brown tracking data recorded a decrease in adverse attitudes to pig meat from 42% (Dec 05) to 39% Dec 06

BPEX performance against target 2006/07

3. Increase demand for British pork and pork products

Table B.3 continued


Strategy	Target	Performance
Objective 3.5 – Consumer and market insight		
1 – Provide output to assist National Account Managers in identifying supply chain integration opportunities, publication of category reports and regular monthly reports and conduct as necessary research to assist in key PR activities to support QSM campaigns, industry defence initiatives etc	Achieve 80% satisfaction rating in 2006 through Category Report feedback questionnaires	Publication of category reports delayed until March 07. Results from customer satisfaction survey still awaited
Objective 3.6 – Export trade development		
1 – Export department staff will help to develop and maintain trade through the running of targeted trade missions as well as researching new opportunities for pork, pork products and livestock genetics. The weekly pig report will be enhanced	a) Survey to evaluate relevance/usefulness of weekly market reports. b) Delivery of SIAL event c) Visit to all major exporters – 6 monthly tracking of value/perceived value of the work d) Increase to 6000 tonnes of British sausage exports by end 2006	a) Reports completed - evaluation will be carried out in April/May 2007. b) SIAL delivered with high approval rating from exporters c) Exporters contacted - evaluation will be carried out in April/May 2007 d) Export programmes completed - Exports of breeding pigs up, worth £8m, up from £5.5m in 2005. Sausage exports stable at 5,000 tonnes. Pork exports up 3% to 94,000 tonnes

4. Build industry confidence to invest

Table B.4

Strategy	Target	Performance
Objective 4.1 – Benchmarking and business club development		
1 – The greater use of benchmarking will be stimulated as a tool to identify improvement opportunities, and the Farm Business Clubs as a means of delivering business improvement (dovetailing with BPEX's own TI programme)	Establish 30 benchmarking clubs in the pig sector and undertake 2 pre-farm gate Business Improvement Process pilots	11 Pig benchmarking clubs operated in 2006-07. Four on farm Masterclasses completed delivering 40%~50% productivity improvement for a key process within each business
Objective 4.2 – BPEX communication		
1 – Improve stakeholder awareness and understanding of how the BPEX levy is invested, help build stakeholder confidence in the future prospects for the British pig industry and support the knowledge transfer process through coverage in the England and Wales trade and regional press	Independent monthly media analysis of coverage in terms of value, quantity, and tone – increase volume by 5% year on year and deliver value ratio of 2:1. Maintain % of negative media coverage at or below 2004/05 benchmark of 1%	882 media items were generated compared to 917 for the previous year. Estimated advertising value of media coverage was £420K meeting the value ratio target of 2:1. There was 0% negative media coverage of BPEX
Objective 4.3 – BPEX management and coordination		
1 – Enhance the management of BPEX suppliers and enhance the management and effectiveness of the operation of the Board. Establish effective customer satisfaction and confidence indices	Completion of a survey of internal suppliers in June 2006 to assess customer satisfaction and assess the effectiveness of communication with suppliers	Survey completed in January 2007. Industry confidence 93.2% relative to a baseline of 2006. Overall BPEX service quality score of 3 - satisfactory on a scale of 1-5 with 70% of respondees using BPEX services in 2006. Main reasons for not using BPEX services was lack of relevance to business and uncertainty over contact point



A group of black cattle, likely beef cattle, are gathered in a metal pen. The pen has several horizontal metal bars. The ground is covered with straw bedding. In the background, there is a brick wall with a small arched opening. The text is overlaid on a dark grey rectangular background.

The Meat and Livestock Commission's expertise in the beef and lamb sector is, quite rightly, recognised across the world





John Cross
Chairman
English Beef and Lamb Executive

EBLEX Chairman's report

Last year EBLEX secured £200,000 of regional development agency (RDA) funding to underpin regional Sheep Better Returns events. At 31 March 2007 almost 2,600 businesses were members of the Quality Standard Mark Scheme (QSM), and 4,500 beef producers were signed up to the new EBLEX Beef Better Returns Programme.



Overview

In Spring 2007, EBLEX signed up three of the country's largest foodservice catering companies to the QSM Scheme, creating opportunities for the QSM to appear in hundreds of pubs, restaurants and hotels across the country.

Our work with local education authorities in 2006 means that thousands of children in Derbyshire, North Tyneside and Cumbria are now enjoying Quality Standard Mark beef and lamb on their school lunch menus.

EBLEX advertising work and promotional activity continued to show encouraging results. Research in March 2007 showed 60% of consumers recognised the QSM after just over two years in the marketplace, and 70% said it is a label they can trust.

EBLEX activity on beef exports helped the UK exceed its target of 30,000 tonnes in the first year of normal market access. The UK exported 45,000 tonnes of beef during the 2006 calendar year, the vast majority of which was English – and exports look set to top 60,000 tonnes by May 2007. EBLEX activity in key markets such as France also helped increase lamb exports to 60,000 tonnes in 2006.

In February 2007 EBLEX held its first National Producer Conference at Askham Bryan College. Event feedback indicated that 92% of delegates took home an idea to implement on farm.

The new-look EBLEX website was launched in October 2006, with the result that website registrations had increased by 45% by 31 March 2007.

EBLEX also continued to hold its series of popular open meetings across the country with Board members and staff, inviting farmers to discuss and participate in EBLEX activity.

The EBLEX Board

The EBLEX Board consists of 11 members nominated by industry organisations.

Chairman and MLC Commissioner: **John Cross**
Deputy Chairman and National Sheep Association: **David Raine**
Association of Independent Meat Suppliers: **Norman Bagley**
British Meat Processors Association: **Ryan Williams, Peter Mitchell, Chris Wood**
Livestock Auctioneers' Association: **Peter Kingwill**
National Beef Association: **Frank Momber**
National Farmers' Union: **John Hoskin, Peter King, David Morgan**

A short biography of each Board member is available on the EBLEX website: www.eblex.org.uk

Delivering our strategy

The EBLEX strategy is delivered under three core 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.
- **Building profitable markets** – building a positive business environment through activities such as exporting, marketing and promotion.

Activity under these areas during the past 12 months has tackled a number of fresh challenges which emerged for the industry. Issues such as climate change, product labelling, and the influence of exchange rates came to the fore in 2006/07, impacting on many farm businesses still adjusting to life under the Single Farm Payment.

The EBLEX Business Pointers on-farm costings figures published in November 2006 showed most beef and sheep farmers were making a loss once factors such as the Single Farm Payment and other non-cash costs were taken into account.

These figures, which were the first to treat farming business on the same footing as any other business, provided the rationale for continued

farm efficiency work under the EBLEX Better Returns Programmes, which now have 14,000 producers receiving Better Returns information on a regular basis.

Better Returns

Summer 2006 saw the launch of the Defra-funded £1.2 million EBLEX Beef Better Returns Programme.

The two year programme, which is overseen by an industry steering group, covers five key areas of selection, breeding, fertility, feeding and costings (see www.eblex.org.uk/beefbrp for more information).

At 31 March 2007 there were 4,500 English beef producers signed up to receive literature and information on Beef Better Returns events.

Two new strands of activity were launched in March 2007 under the EBLEX Sheep Better Returns Programme. These were better costings and better health and fertility (with messages on lameness management, worm control strategies and improving flock fertility). The costings activity centres on the interactive Snapshot farm costings programme developed in partnership with the Red Meat Industry Forum.

Snapshot aims to encourage both beef and sheep producers to take their first steps towards a better understanding of costings and how this can help them target areas for action to improve business profitability.

During the year EBLEX continued to build up its library of popular *Action for Profit Factsheets*, adding 12 subject titles for both beef and sheep producers, to bring the total number to 24 for each sector.

In April 2006, working with the Livestock Auctioneers' Association, EBLEX launched a new liveweight system for grading cull cows. This enabled livestock markets to grade older beef and dairy animals into four quality groups according to carcase conformation and fat cover. By March

2007 around half the older cattle sold through English livestock markets were being graded using this system.

A number of research and development projects were run by EBLEX during 2006/07. These included a study looking at the impact of keeping male lambs entire on late season lamb flavour and a project studying the genome of Caseous Lymphadenitis strains, which aims to help produce effective control strategies for this growing problem.

Commissioned beef projects included a study to assess the impact of three feeding regimes on finishing dairy cull cows, a pilot trial looking at control strategies for Bovine Viral Diarrhoea in Norfolk and Suffolk, and a trial to assess crude protein levels required for optimum finishing of Holstein bulls.

Sustainable supply chains

During 2006/07 the EBLEX team delivered over 300 separate projects with retailers and foodservice operators participating in the QSM Scheme. This participation increased particularly within the medium and small abattoir sector in England.

The majority of EBLEX trade marketing projects focused on communicating QSM Scheme details and recipe information through both multiple retailers and independent outlets. This was achieved through the provision of leaflets, supporting point of sale material and tactical promotional activity.

In the foodservice sector EBLEX promotional activity focused on both the profit and cost sectors. This included QSM initiatives with North Tyneside, Derbyshire and Cumbria local education authorities, which saw EBLEX develop nutritionally balanced beef and lamb dishes for school lunch menus.

The trade team's work with a number of processors has now resulted in an estimated 27,000 cattle a year going into three independent Quality Standard Mark brands.

An EBLEX-led industry working group on offals published three reports in March 2007 looking at market opportunities for the fifth quarter. This work will be backed up with further work with the independent retail sector during 2007.

Building profitable markets

Two years on from its launch to consumers, EBLEX advertising and promotional activity for the QSM during 2006/07 continued to deliver encouraging results for stakeholders.

A new Beefy and Lamby TV advert called 'Doppelganger' was aired in February 2007, supplementing the existing portfolio of four QSM TV commercials. Independent research showed that these advertisements had an awareness score of 71%, well above the 47% average of other advertisers on the panel.

In addition, four new print adverts were developed during the year to deliver a more rational message about the QSM to consumers, focusing on the scheme's eating quality and traceability requirements.

A number of targeted public relations activities were used within the 2006/07 campaign to supplement the rational messages about the QSM to over 38 million consumers. These included the EBLEX Christmas 'Roast Rage' campaign which delivered a return on investment (ROI) of 17:1. Additional generic promotional activity around St George's Day 2006 attracted a lot of media coverage delivering an ROI of 82:1.

Our seasonally themed Tuck-In recipe magazine continued to be extremely popular with food journalists and the independent retail sector. Publication during 2007/08 will be twice a year, with a print run of 300,000.

Export promotional activity across the year centred on a number of initiatives. These included a unique beef importer/exporter convention in Paris which provided an opportunity for 20 importers and 13 exporters to meet and discuss mutual business opportunities.



Inward missions also proved a useful way to influence overseas buyers and journalists positively - 14 such missions to witness the English beef and lamb chain in action were organised with the participation of producers and processors during 2006/07.

A programme of tactical market support delivered results in the lamb export market. These included several tailor-made promotions through a number of French multiple retailers. These were themed under the St George banner and included on-pack branding, in-store demonstrations, product sampling and developing centrally packed ranges.

EBLEX was also at the forefront of a multi-national programme to develop a 'generic' lamb campaign for the French market to encourage younger French consumers to purchase lamb. This work, to take place during 2007/08, will be funded, (based on market share) between EBLEX, Interbev and Bord Bia and delivered in association with French farmer, trade, and retailer representative bodies.

In early 2007, EBLEX staged two offal seminars for potential exporters to explore market opportunities and help identify ways of reducing processing and waste disposal costs.

The year ahead

For many producers, the challenge to operate profitably without the Single Farm Payment remains a significant one. As EBLEX moves towards April 2008, it will continue to develop its Sheep and Beef Better Returns Programmes to deliver practical events and technical information to producers.

Recruitment to the QSM Scheme remains a priority for the EBLEX trade team to ensure increasing demand for QSM product can be met. Alongside this EBLEX will be considering how it can develop the QSM to meet identified consumer requirements.

John Cross
Chairman
English Beef and Lamb Executive

Further information on the work of EBLEX is available on the EBLEX website, www.eblex.org.uk

EBLEX performance against target 2006/07

1. Adding value (Competitiveness and sustainability)

Table E.1

Strategy	Target	Performance
Objective 1.1 – Improve the profitability of cattle production		
1 – Develop a more robust and effective benchmarking framework at a sustainable cost; encourage uptake and understanding of farm costings	Publish benchmark data by 30 November 2006. Develop accessible costings format	Business Pointers published November 06. Snapshot launched June 2006
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 live research projects over the next 5 years = a total benefit of £3.0m (as measured by ongoing cost-benefit analysis)	Funded 11 beef projects, including 4 PhD studentships with an estimated value to industry of £6.87 million over 5 years. Also funded 9 generic projects with estimated industry value of £1.79 million over 5 years
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 (as measured by ongoing cost-benefit analysis)	Published 12 Action for Profit sheets on a number of sector issues
4 – Launch and deliver Beef Better Returns Programme (BRP) in line with published targets on www.eblex.org.uk	Predicted industry benefit of £23.5 million of moving 10% of average producers into top third performers	Beef BRP launched. Over 4,000 producers signed up. Independent benchmarking exercise being carried out
Objective 1.2 – Improve the profitability of sheep production		
1 – Develop a more robust and effective benchmarking framework at a sustainable cost; encourage uptake and understanding of farm costings	Publish benchmark data by 30 November 2006. Develop accessible costings format	Business Pointers published November 06. Snapshot launched June 2006
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 live research projects over the next 5 years = a total benefit of £3.0m (as measured by ongoing cost-benefit analysis)	Funded 18 sheep projects, including 6 PhD studentships with an estimated industry value of £8.46 million over 5 years. Also funded 9 generic projects (see 1.1.2 above) with estimated industry value of £1.79 million over 5 years
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 (as measured by ongoing cost-benefit analysis)	Published 12 Action for Profit Sheets on a number of sector issues
4 – Dissemination and uptake of the knowledge and best practice techniques identified by the Sheep Better Returns Programme	Develop working partnerships with regional bodies to co-fund Sheep BRP activities	All English RDAs supporting Sheep BRP. £200,000 funding obtained from RDAs
Objective 1.3 – Exploit opportunities and communicate issues on beef/lamb products from developments in the areas of 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	Biannual reports with project review to EBLEX Board	Appropriate information and papers on diet, health and nutrition circulated to the Board

EBLEX performance against target 2006/07

2. Marketing proposition (Influencing demand)

Table E.2

Strategy	Target	Performance
Objective 2.1 – Improve the real value of beef and lamb to all stakeholders, including consumers		
1 – Undertake ongoing research to ensure the English QSM advertising message and brand proposition delivers increased awareness	Increase consumer awareness score of our 'At Home with Beefy & Lamby' advertising to 70% as measured by independent audit	Millward Brown Independent audit shows consumer advertising awareness score of 71% (November 2006)
Objective 2.2 – Increase the indexed value of the beef and lamb market through increased market differentiation. For beef increase from 100 to 104 by 2008, 106 in 2010 and 112 in 2014. For lamb increase from 100 to 104 in 2008, 107 in 2010 and 113 in 2014		
2 – Consolidate the English quality proposition	Maintain the level of participation in the QSM in the multiple retail sector and increase in other sectors (as measured against baseline)	Achieved
3 – Premiumisation of the English quality proposition	Develop premium proposition(s) by 1 March 2007	Trial project approved by EBLEX Board in November 2006
4 – Appropriate management of non-QSM marketing activities and review collaborative British Meat programme in light of changes to State Aids legislation	Deliver a cost:benefit return for 'Tuck-in' of 1:8 and deliver campaign to independent retailers at least twice per annum	Delivered a cost:benefit ratio of 1:26. Tuck-in published twice during 2006/07
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		
1 – Against the background of regulatory changes, facilitate the re-entry of beef into export markets	Provide support and maintain an information flow to the industry on progress	Delivered
2 – Against the background of regulatory changes, facilitate the smooth transition of OTM beef back to the marketplace	Deliver a comprehensive programme of activity to support beef exports as part of the beef market restoration programme	Delivered. Activities included an importer convention, seminars for English exporters and inward missions
3 – Targeting specific European markets	20k tonnes of UK beef 90k tonnes of UK lamb	c. 28,000 tonnes of English beef and c. 60,000 tonnes of English lamb exported

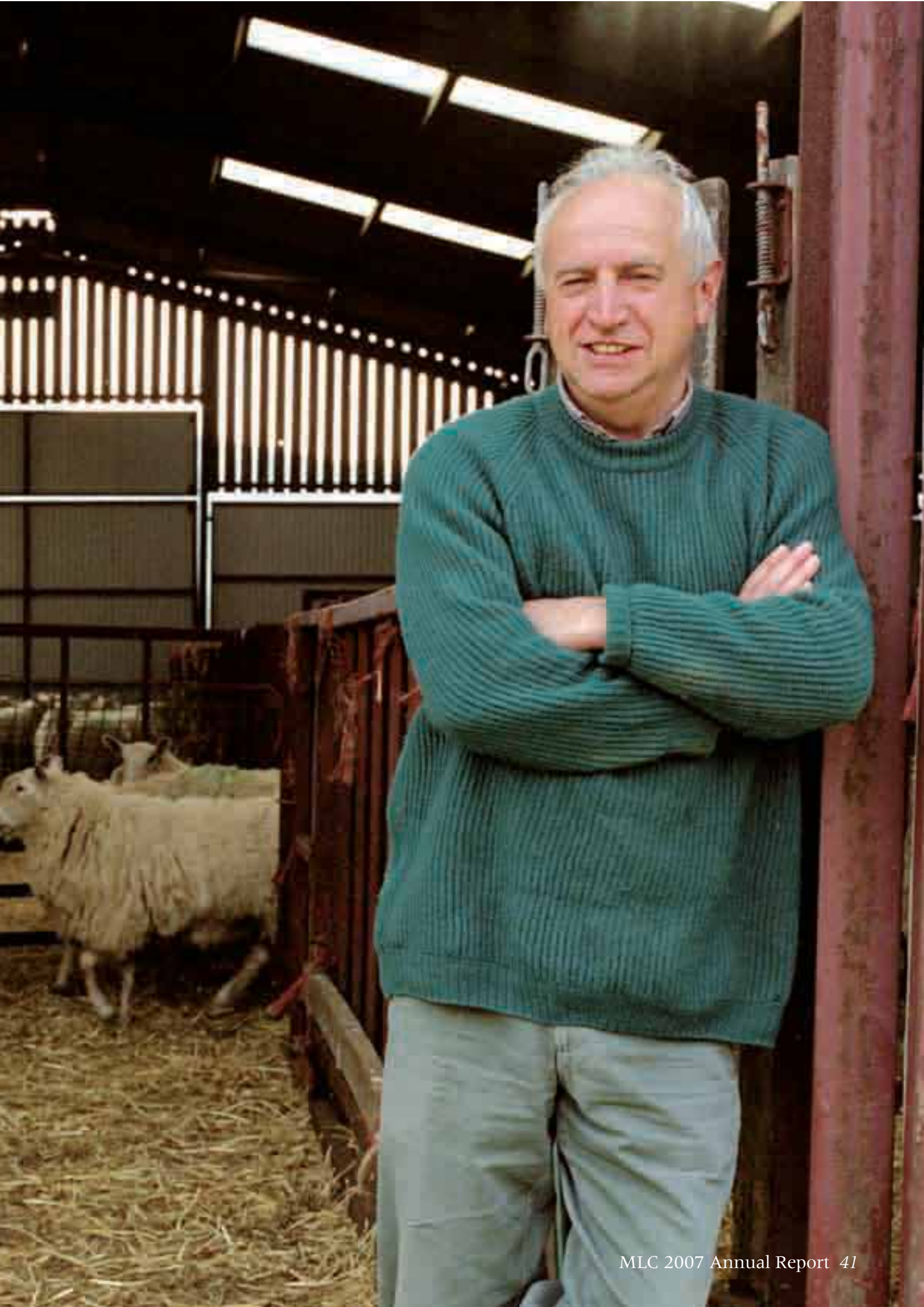
3. External drivers (Knowledge management)

Table E.3

Strategy	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		
1 – Rigorous assessment of external drivers affecting the industry	A minimum 80% stakeholder awareness and satisfaction score as measured by stakeholder survey	90% stakeholder satisfaction score
2 – Developing solutions to issues that we can influence and are important	All key issues appropriately dealt with	EBLEX expertise and information was disseminated to the benefit of stakeholders and other industry organisations
3 – Effective communication to industry stakeholders of relevant knowledge	A minimum 80% stakeholder awareness and satisfaction score as measured by stakeholder survey	76% 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		
1 – Develop a web-based knowledge management (KM) infrastructure that better facilitates the sharing of knowledge	Ongoing population of the KM repository and improved utilisation as measured by year on year usage statistics	Website visits average 16,755 per month and downloads 1,655 per month (October 2006 to March 2007)
2 – Management style to facilitate continuous improvement	A minimum 85% internal stakeholder awareness and satisfaction score as measured by annual staff survey	92% satisfaction score from respondents as measured by staff survey in March 2006

A photograph of a sheep pen in a barn. The pen is filled with several sheep, and the floor is covered in straw. The barn has a high ceiling with skylights and a metal railing in the background. A text overlay is present in the upper middle section of the image.

For 40 years, the Meat and Livestock
Commission has served the changing
British livestock industry with distinction





Rees Roberts OBE
Chairman
Hybu Cig Cymru

HCC Chairman's report

HCC has now been in existence for four years- and following another strong 12 months of industry development, marketing and promotional activity, stakeholders in Wales have witnessed a fourth consecutive year of positive gains for the red meat sector.



Our main objectives and delivering our objectives

1. Promotion of Welsh Lamb and Welsh Beef and red meat products in Wales, the UK and worldwide

The ban on over thirty month beef ended in May- and within 24 hours of the announcement, HCC and exporters attended a top trade show, Cibus in Italy, to relaunch Welsh Beef into the market and to exploit the promotional advantages emerging from HCC's sponsorship of the Italian national rugby team.

While the latter days of the ban operated, HCC worked hard to maintain strong connections with European markets on the back of a good performance by Welsh Lamb which saw annual sales soar by almost 60 per cent in some EU countries.

Environment, Planning and Countryside Minister, Carwyn Jones, announced the opening of the United Arab Emirates market to Welsh Lamb after leading a Team Wales Welsh Assembly Government /HCC marketing drive and helping to persuade officials of the benefits of buying market-leading Welsh Lamb. Later in the year, HCC attended the renowned Gulf Food Fair in Dubai.

HCC continued to support strongly independent butchers across Wales. A successful spring point-of-sale and recipe booklet series preceded an "Autumn/Winter Warmer" campaign, a "Twelfth Day Of Christmas" theme for the seasonal market and a St David's Day promotion under the banner of "Especially For You..."

The response from consumers to our Welsh Lamb and Welsh Beef branded products during 2006-07 was very positive. In November, our independent market research organisation released a set of very strong domestic red meat consumption statistics for Wales.

Lamb sales rose by a substantial 17 per cent in the relevant 12 month period - against a GB rise of only one per cent in that time. The value of lamb purchased in Wales rose by a staggering 40 per cent in the last two years, while in GB as a whole the figure was three per cent.

2. Building strongly differentiated products

The much-prized PGI status of both Welsh Lamb and Welsh Beef brands remains a strong element of HCC's activity to clearly differentiate its red meat products from those of its competitors.

PGI plays a leading part in enhancing sales opportunities in the UK and in Europe, is a centrepiece of HCC's new food service project plans and is regularly the focal point of HCC's advertising and export work.

3. Improving the quality and cost-effectiveness of primary production and

4. Strengthening the red meat supply chain

A major strategic analysis projecting and analysing anticipated trends and movements in the red meat industry in Wales for the next 13 years was published by HCC in March.

"The Situation And Outlook to 2020 For The Welsh Sheep And Beef Industry" examined the need for a unified approach that could effectively harness existing technical knowledge to exploit the inherent strengths of the Welsh industry, while addressing any weak areas and meeting the challenges facing the industry.

The report also stated that Welsh producers have the resources to produce lamb and beef and the tools to market their products. Performance must improve to ensure that production is maintained and profitability achieved. This needs to be done in conjunction with a cost-reduction strategy that ensures lamb and beef production is financially sustainable.

HCC's long-established principle of widening industry involvement by group learning vehicles- a model trailblazed by HCC's Demonstration Farm discussion groups- was extended to impart current information at a variety of farm-based get-togethers during the year in an extension to HCC's "bottom-up" approach that is proving highly effective in communicating and imparting knowledge.

The final phase of Farming Connect (Phase 2) which began in October 2003 was completed in March 2007. The full phase delivered more than 600 events and some 150 meetings, attended by 13,000 farmers. HCC staged 28 public farm Open Days to disseminate practical information within the network of 18 Demonstration Farms and their Associated Discussion Groups. More than 4,700 farmers have attended the various meetings and Open days and approximately half of the attendees indicated their intention to utilise new approaches to production on their enterprise. More than 1000 farmers have taken up training opportunities during the period with the 85 carcass selection courses covering the whole supply chain proving popular. HCC staff coordinated the request for the provision of Technical Advice to more than 345 farmers.

Paul Morris from Gilfach, Narberth and Emyr Wyn Owen Bronferiaeth, Colwyn Bay were the two winners of HCC's 2006 Farming Connect scholarship.

Looking at some of the leading projects, The Welsh Beef Quality Improvement Project trains farmers in modern approaches to health management and breed improvement and HCC's innovative Woodchip for Bedding project was undertaken.

HCC again worked with the abattoir sector in Wales to improve feedback to farmers on carcass and offal condemnation, allowing farmers to make informed management decisions that will lead to efficiency improvements.

HCC assisted farmers to check their competitiveness by benchmarking an enterprise-based business improvement assessment and, in addition, Welsh farmers are encouraged to look carefully at their day-to-day costs and each year HCC conducts a "snapshot" of the costs of production in both lamb and beef farms across Wales and the survey results are widely disseminated.

5. Communicating activities and issues

There was another good industry turnout for the HCC's third annual Autumn conference at the Metropole Hotel, Llandrindod Wells, in November 2006.

HCC will run a fourth Autumn conference for stakeholders during November 2007.

Schools and hospitals from Porthmadog to Pembroke and Mold to Monmouth participated in the first-ever National Beef Day on 4 October. The day sought to draw attention to the public sector's use of Welsh Beef on in-house menus in a move co-ordinated by Hybu Cig Cymru.

The Royal Welsh Show and Winter Fair 2006 provided HCC with the opportunity once again to engage with thousands of stakeholder visitors and inform them of work completed on their behalf.

During the course of the year, HCC's Health and Nutrition Team's roadshows visited more than 3,000 pupils in secondary schools across Wales to inform them about healthy eating and diet and nutrition related matters.

At a reception at the Senedd, an eight-point plan to enable schools across Wales to improve children's knowledge of diet, nutrition and food preparation was unveiled to National Assembly for Wales Members.

The HCC blueprint advocated a range of measures including compulsory food education for 11-14 year olds and calls for the introduction of curriculum

changes to create double practical sessions of 100 or 120 minutes to give children more hands-on experience. In the past 12 months HCC have produced an array of useful technical publications aimed at assisting producers towards profitability.

The year ahead

In June, Carwyn Jones AM, Minister for Environment, Planning and Countryside, announced the retention of HCC as a separate red meat authority in Wales after a consultation in Wales of the outputs of an independent review of agricultural and horticultural levy boards undertaken by Rosemary Radcliffe on behalf of UK and Devolved Administration Ministers.

The Minister's support and endorsement of HCC's performance to date and that the organisation was seen to be playing an important part in the industry's future was a great fillip for the directors and staff.

As a result of the Review of Levy Boards, some change in HCC's constitution will be undertaken to comply with new legislation. However, HCC will continue to be empowered to take to a higher level its already strong record on inclusivity and will be able to harness further support, encouragement, assistance,

advice and interaction to maximise returns for Welsh farmers in the marketplace.

We must now ensure that producers aiming to reach profitability have a level playing field on which to do so and HCC will, next year, continue to call for a review of supermarket buying policy to help prevent the winter depression of Welsh Lamb prices, unnecessary imports and environmental damage.

We must continue with our work to assist farmers adapt to hard new market demands and subsidy changes.

Long-term sustainability is paramount if we are to keep competitive, reach profitability and in doing so protect our traditions, environment and our way of life in Wales.

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

HCC performance against target 2006/07

Table H.1

Strategy	Target	Performance
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 by 5%	Achieved – Awareness rose over the year by 11%
2 – Export: develop trade/consumer programmes for PGI Welsh Lamb	Increasing trade/consumer awareness and enhance market share/value by 5%	Achieved – Export volumes increased by 16%
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 by 5%	Achieved – Awareness rose over the year by 6%
2 – Export: develop trade/consumer programmes for PGI Welsh Beef	Increasing trade/consumer awareness and enhance market share/value by 5%	Achieved – Export volumes increased above this level
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 – Further 10 commenced this year, 19 undertaken to date
2 – Set up technology transfer mechanism to discuss new developments	Regular advice to further 2,500 farmers advised in the year	Achieved – Further 2,500 farmers advised
3 – Develop a programme of genetic and health improvement for sheep and beef sectors	Further 180 farms involved in improvement schemes	Achieved – 185 farms involved
4 – Develop a framework to collect information for farm to farm comparison	Reports by end of July (lamb) and September (beef)	Achieved – Reports issued at appropriate times
5 – Guardian of PGI for Welsh Lamb and Beef	Maintain audit exercise through abattoir visits to all 27 abattoirs in Wales	Achieved – Only 25 abattoirs operating but all have been visited
Strengthen the red meat supply chain		
1 – Develop research and development programme	300 farmers trained on appropriate courses, ie selection for slaughter	Achieved – 470 have attended training courses
2 – Set up technology transfer mechanism to discuss new developments	Communicate with all 27 abattoirs in Wales; communicate with stakeholders in supply chain	Achieved – Only 25 abattoirs operating now
Effective communication of HCC activities and industry issues		
1 – Coverage in all relevant print and media	Over 75% of outputs achieved	Achieved – Over 80% adopted
2 – Publications and resource materials	Provide industry with appropriate material dealing with the prevailing market conditions	Achieved
3 – Face to face communication	Achieve 65% stakeholder awareness of activities	Achieved – Over 70% aware of HCC activities
4 – Industry issues affecting supply and demand	All issues dealt with appropriately	Achieved – Monthly reports made to board



A photograph of a red cow in a metal cage in a slaughterhouse. The cow is looking directly at the camera. The cage is made of metal bars, and the background shows other cages and the structure of the building. The lighting is somewhat dim, with some light coming from above.

The Meat and Livestock Commission
was instrumental in the modernisation
of the British red meat industry



Donald Biggar OBE
Chairman
Quality Meat Scotland

QMS Chairman's report

With an ambitious business plan in place to guide our activities on behalf of the Scottish red meat industry the past 12 months has seen QMS make considerable progress in both the areas of industry development and the marketing of beef, lamb and pork produced by Scotland's red meat businesses.



At a time of considerable change within the industry, as businesses make adjustments in the wake of Common Agricultural Policy reforms, QMS has been focused on driving forward a broad range of activities that can help these enterprises become more profitable.

Our main objectives

1. Be the first port of call in Scotland for positive and authoritative information about the red meat industry
2. Be a catalyst for adoption of best practice throughout the red meat chain
3. Build on existing consumer confidence and preference for Scotch product by maintaining its integrity and continuing to reflect consumer attitudes through our assurance schemes
4. Agree and undertake a marketing strategy with the industry, based on segmentation, clear focused targeting, brand integrity and simplicity
5. Raise awareness of red meat as part of a healthy, balanced diet
6. Help ensure a culture of trust throughout the red meat supply and demand chain
7. Maintain financial and corporate governance systems to reflect the responsibilities of QMS and ensure value for money for levy payers

Delivering our objectives

Significant gains were made in the delivery of all the key areas of activity.

Aimed at promoting best practice, the Monitor Farm Network continues to spread across Scotland with hundreds of farmers regularly coming together to share practical ideas with a view to improving efficiencies and cutting out costs.

Another key achievement in that area was the publication of 12 practical

research and development projects for the industry commissioned as part of the Scottish industry's first R & D Strategy. Only projects that can deliver financial returns for the industry are progressed.

With separate strategies in place for each of the brands from Scotland, Scotch Beef, Scotch Lamb and Specially Selected Pork, QMS rolled out a comprehensive programme of marketing initiatives aimed at driving up sales. Targets for brand awareness of Scotch Beef in Scotland, the Midlands and London were all achieved. There was success too in increasing distribution of Scotch Lamb in Scotland and consumer awareness of Specially Selected Pork.

To mark the full resumption of beef exports QMS coordinated a series of events across Europe to mark the return of Scotch Beef to European dining tables. The results of this initiative will be included in next year's Report.

QMS further consolidated its position as the first port of call in Scotland for positive and authoritative information on red meat issues with the introduction of an e-news service to a database of levy payers and stakeholders. As part of our annual winter engagement series, staff spoke at over 60 farmer and processor group meetings throughout the year.

The relatively new area of Health and Education recorded a notable achievement with the production of Meaty Matters, an informative and fun guide aimed at Primary School age children, to help them better understand where their meat comes from and its importance in a healthy, balanced diet.

The year ahead

Undoubtedly the industry will face many challenges in the coming year and it is the job of QMS to ensure that every penny we receive through levy is invested appropriately to help Scottish red meat businesses become more profitable.

Donald Biggar OBE
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

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 2005/06

Table Q.1

Aims and Objectives	Main Targets for 2005/06	Progress to date
Objective 1 – Be the first port of call in Scotland for positive and authoritative information about the red meat industry		
<ul style="list-style-type: none"> Improve the positive image and understanding of the Scottish red meat industry amongst the wider public, decision makers and opinion formers in Scotland and beyond Assist the performance of businesses by providing relevant, new and more accessible information Undertake and make available strategic analyses of the economic environment in which the red meat industry is operating Ensure awareness and understanding of the role of QMS amongst the Scottish red meat industry 	(a) Increase understanding of industry amongst business media and public authorities, through wider circulation of factual information on industry and market/consumer trends	Achieved – press releases, factsheets, newsletters issued as topics arose
	(b) Develop use of e-mail newsletter, increasing subscribers to 2,000	Achieved – monthly email to 2,100 database
	(c) Produce intelligence manual for target export markets	Achieved – sent to France, Italy and the Benelux countries
	(d) Extend industry profile survey to secondary processors	Postponed – further discussions with secondary processing sector to take place
	(e) Face to face communication with farmers and processors	Achieved – Over 60 farmer & processor group meetings throughout the year
Objective 2 – Be a catalyst for adoption of best practice throughout red meat chain		
<ul style="list-style-type: none"> Work with other organisations to identify and promote best practice, training and research Work with other organisations to improve the ability of Scottish cattle, sheep and pig businesses to meet customer specifications 	(a) Publicise at least 10 case study lessons from Monitor Farms aimed at improving performance or cutting cost	Achieved – 23 articles appeared in national press, annual summaries in R&D Report and 8 Monitor Farms now operating
	(b) Rollout eating quality research results - produce and distribute DVD to all farm assurance members; offer assistance to all processors and address at least 6 farmer groups	Achieved – 5,000 DVDs produced and circulated, 8 farmer groups addressed
	(c) Deliver at least 7 practical research & development projects for the industry	Achieved – 12 completed R & D projects published
	(d) Support pilot of VIA in Scottish plant	Lamb Achieved in Welsh plant, Beef not achieved due to external factors
	(e) Extend Wholesome Pigs project to cull sows and on farm vet visits	Achieved – Cull sow monitoring system in place for all Scottish producers
	(f) Promote excellence in butcher sector	Achieved – Cutting Techniques CD-rom distributed to all Scotch Butchers Club members
Objective 3 – Build on existing consumer confidence and preference for Scotch product by maintaining its integrity and continuing to reflect consumer attitudes through our assurance schemes		
<ul style="list-style-type: none"> Ensure assurance standards reflect consumer research findings and best practice procedures Retain and enhance the integrity of the Scotch product by increased auditing of product traceability, raising awareness of this amongst customers in the retail and restaurant sectors Increase the supply of red meat available for the Scotch product 	(a) Maintain integrity of assurance schemes through appropriate assessment and certification decisions and ensure standards consistent with brand values	Achieved – 384 carried out in retailers and restaurants
	(b) Build on Scottish Executive plan to introduce Country of Origin Labelling in restaurant sector	Consultation activity in place
	(c) Provide information on OTM beef to industry, customers and consumers to help ensure smooth reintroduction	Achieved – OTM factsheet meetings coordinated retailers

QMS performance against target 2005/06

Table Q.2

Aims and Objectives	Main Targets for 2005/06	Progress to date
Objective 4 – Agree and undertake a marketing strategy with the industry, based on segmentation, clear focused targeting, brand integrity and simplicity		
<ul style="list-style-type: none"> Increase consumer awareness of and expressed preference for Scotch Beef and Scotch Lamb in the UK and abroad Increase branded sales of Scotch Beef, Scotch Lamb and assured pork in the UK and abroad Identify and develop new markets for produce from Scotland, particularly in foodservice, export and manufactured products Identify and develop new markets for cow beef 	Scotch Beef (a) Increase brand awareness in England to above 50%, and increase distribution of branded Scotch Beef	Achieved – 49% in England and Wales. 54% in London and the Midlands
	(b) Maintain brand awareness in Scotland at around 80%	Achieved – 82%
	(c) Achieve 200 members of Scotch Beef Club and undertake programme of consumer promotion	Achieved
	Scotch Lamb (d) Build GB brand awareness to 75% and increase distribution of branded Scotch Lamb	Achieved – 10% Distribution also increased in Scotland
	(e) Increase the percentage of Scottish consumers that agree Scotch Lamb is best to above 46%	Achieved – Increased to 47%
	Assured Pork (f) Increase to 45% the proportion of Scottish consumers that agree Specially Selected Pork is best available	Achieved – Increased by an average of 59%
	(g) Increase sales by 10% during promotions	Achieved – SS Pork was represented at ANUGA Food Fair, Germany
	Export markets (h) Increase by 10% the volume of branded Scotch Lamb sold in export markets	Achieved – 6.5% of red branded Scotch lamb sales in Carrefour Belgium
	(i) At least 5 inward missions from target countries	Achieved – 8 inward missions coordinated
Objective 5 – Raise awareness of red meat as part of a healthy diet		
<ul style="list-style-type: none"> Promote the role of red meat as part of a balanced diet and lifestyle QMS as a credible authority in Scotland on health issues relating to red meat 	(a) Work with RHET to produce resource material for the primary and secondary curriculum	Achieved – On track for Meaty Matters to be distributed within next reporting period
	(b) Disseminate factsheets on place of red meat in healthy diet	Achieved – Extensive mailshot to schools in Scotland
Objective 6 – Help enhance the culture of trust throughout the red meat supply and demand chain		
<ul style="list-style-type: none"> Improve awareness and understanding of the chain amongst the red meat industry in Scotland Use industry meetings, QMS committees, forums and consultations to harness the expertise of the Scottish industry 	(a) Increase information available to supply chain on the varying specifications and trends in the markets supplied by the Scottish industry	Achieved – Weekly columns on market requirements and trends in three Scottish newspapers
	(b) Identify a variety of opportunities for activity with other bodies e.g. shared meetings, news releases or linked web activity	Achieved – 10 shared news releases on linked activity with other bodies and retailers
Objective 7 – Maintain financial and corporate governance systems to reflect the responsibilities of QMS and ensure value for money for levypayers		
<ul style="list-style-type: none"> Completion of and adherence to Framework Document with SEERAD Adopt system of internal audit as part of good corporate governance 	(a) Part II Financial Memorandum to be agreed with SEERAD and QMS Board. Existing systems and procedures to be revised where appropriate in line with the Scottish Public Finance Manual guidelines	Achieved – Completed Framework Document – fully approved November 2005. Systems and procedures reviewed and revised
	(b) Tender for and appoint internal auditors	Achieved – Internal auditors appointed and 3 year audit plan agreed



Unique within the Defra family of agri-based NDPBs, MLC has a mature and profitable commercial operation



MLC commercial operation report

Unique within the Defra family of agri-based NDPBs, MLC has a mature and profitable commercial operation. These businesses provide data, advice, logistics and inspection services to the meat and livestock industry on a commercial basis. The commercial operation is managed separately within MLC. All costs are fully accounted for within the operation and any profits are returned to the MLC for the benefit of the industry.

Performance against target

The commercial operation works to an annual financial target agreed by the MLC Board of Commissioners. For 2006/07 this was to contribute £184,000 (post tax) to supplement MLC's levy income. Actual out-turn provided a contribution of £316,000.

Meat and Livestock Commercial Services Limited

On 1 April 2006 a company registered as Meat and Livestock Commercial Services Limited (MLCSL) started operating as a wholly owned subsidiary of MLC. Staff and management within the Authentication Services and Agency Services businesses were transferred to the new company.

The change provided a more defined business structure, removing uncertainty for the 180 employees and positioning the business to benefit from opportunities that the planned government restructuring of UK levy boards may offer.

MLCSL had a successful first year and developed a number of new business opportunities with both the red meat industry and the Rural Payments Agency. There were also challenges as its primary customer base (slaughterhouses) struggled for volume and profitability.

- Marketing of a Stun Assurance Monitor for sheep and pigs
- Carcase label sales for cattle, sheep and pigs

Review of the year

A highlight of the year was the increase in the beef carcasses classified by the team as a percentage of British slaughterings – up 12% (see fig 1). This was largely the result of new business secured late in the previous year. Sheep and pigs remained at similar levels to the previous year.

Authentication services

Services provided to industry

The Authentication side of the business employed on average 100 people who delivered the following services during the year to 31 March 2007:

- Independent carcase classification services for cattle, sheep and pigs to the slaughtering sector
- Technical training for the selection of livestock for slaughter to the industry
- Development and sales of slaughter line data capture equipment
- Sales, servicing and support of pig classification equipment (Introsopes)

Fig 1. Carcasses classified by MLCSL as percentage of British slaughterings

	2001/02	2002/03	2003/04	2004/05	2005/06	2006/07
Cattle	53.3%	55.2%	55.6%	55.8%	58.9%	71.2%
Sheep	40.9%	44.3%	46.5%	47.6%	40.9%	42.5%
Pigs	62.3%	63.7%	63.3%	62.1%	62.1%	60.9%

Interest in the potential contribution that objective classification systems (Video Image Analysis (VIA) machines) could make to the beef and sheep industry continued. MLCSL was involved in an MLC project-managed sheep VIA trial during the year, the results of which are due to be published in the spring/summer of 2007.

A significant amount of service and support was provided to the EBLEX Sheep Better Returns

Programme in England. Selection of sheep for slaughter training events were delivered at abattoirs and auction markets, and the same technical service provision was provided to the EBLEX Beef Better Returns Programme from November 2006. Over 90 events were covered between the two programmes.

Similar support was provided to HCC in Wales with its busy programme of both sheep and cattle selection for slaughter training days. Enrolment and delivery of 60 of these events was by MLCSL authentication staff, and a number of shows were also attended to support the programme.

The marketing process for the Stun Assurance Monitor started during the year. The Monitor provides an auditable stun process for slaughter houses and there was interest from many quarters including the role it could potentially play in assurance of pre-stunning for the Halal market.

The dedicated Authentication website, 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.

The service made significant progress in its objective of achieving United Kingdom Accreditation Service (UKAS) accreditation to the ISO 17020 standard. This will enable the business to be recognised as operating to an internationally recognised standard and satisfy a growing requirement that supply chain service providers operate under such an accreditation arrangement.

Agency services

Services provided to industry

The Agency side of the business employed on average 80 people who delivered the following services during the year to 31 March 2007:

- Services related to Transmissible Spongiform Encephalopathy (TSE) Schemes for the Rural Payments Agency;
 - Monitoring of the sampling and disposal of Fallen Stock
 - Control of the storage and destruction of Meat and Bone Meal and Tallow
 - Surveillance and control of hide markets for the Older Cattle Disposal Scheme
 - Monitoring and control of hides from food chain cattle aged over thirty months
- Other service contracts:
 - A dead bird surveillance and collection role in monitoring of Avian Influenza
 - Meat product inspection for the NHS in Wales
 - Surveillance of the disposal of sheep within the National Scrapie Eradication Scheme

Review of the year

The 12 months to 31 March 2007 was another challenging year as government spending restraints brought reviews of the operational costs of TSE schemes. There was a reduction in the number of sites involved within the TSE schemes activity and consequently, a further reduction in staffing requirements. By the year-end, Agency Services was active in some 30 sites across Britain with a staffing level of 72 deployed across them.

The work for Defra was consolidated with continued involvement in the surveillance and control of hides at hide markets from food chain cattle aged over thirty months and the selective monitoring of the disposal of sheep from the National Scrapie Eradication Scheme.

New business was developed with a short-term Defra contract to assist in the Wild Bird Surveillance (WBS) scheme. This is part of a wider EU scheme to monitor the disease in the wild migratory bird population

and in particular to provide an early warning of any incidents of Avian Influenza. The contract supports Defra in identifying the targeted species and delivering dead birds to veterinary laboratories for testing.

Agency Services also continued with a small commercial contract with HCC providing meat product inspections for some NHS hospital suppliers in Wales.

The year ahead

Looking forward, MLCSL will work to further develop the carcase classification services and associated equipment sales delivered from the Authentication side of the business. Also it aims to achieve its UKAS Accreditation to ISO 17020. On the Agency Services side it will seek to consolidate its work for the RPA and tender for a WBS scheme contract with Defra in the autumn.

Other MLC commercial services

Economics

Economics produces a comprehensive range of market information used for business and strategic planning by those in the meat and livestock industry. The key value of the Economics service is the provision of up-to-date information on a regular basis, in a format to meet users' requirements.

The core service during the last year continued to be the provision of daily market prices for cattle, sheep and pigs. Economics worked closely with BPEX, EBLEX, QMS, HCC and Farmers Weekly Interactive to expand the range of prices on their websites. With the return of over thirty month cattle to the human food chain in May 2006, prices for cull cows sold at auction markets were added to the portfolio of services. Economics also worked with Meat Trades Journal and Farmers Guardian on the development of pricing information via their new websites.

New contracts were also agreed with Defra and Seerad for the provision of market prices. This led to closer working relationships with the Livestock Auctioneers Association and the Institute of Auctioneers and Appraisers in Scotland and an expansion of the number of sales reported on.

An updated wall map was produced for the UK Meat and Livestock Industry. This showed a range of industry data, including the livestock densities of each region, the size and location of all auction markets and abattoirs, and the location of major meat product processors, by-products processors and meat traders.

Industry Consulting

The Industry Consulting (IC) team provides project-based meat and livestock consultancy services to

individual companies, producers and local and national government organisations.

During the year, IC undertook work on 24 major projects. Examples included work for the authorities of Jersey and Guernsey to upgrade the municipal abattoirs on the islands; studies for ONE North East on issues concerning the provision of contract slaughter services; planning on behalf of a farmer consortium to develop a new 'national' livestock market at Stoneleigh; and delivery of a carcass classification training scheme.

IC also undertook a range of immediate jobs for Defra and others such as: tracking down and quantifying outstanding stocks of beef held in cold store derived from animals slaughtered before the BSE export cut off date; assessing abattoir capacity in Wales; and providing technical advice to the TV production company making the 'Kill it, Cook it, Eat it' TV programme broadcast in February 2007.

IC continued to maintain a database of British abattoirs and cutting plants on behalf of Defra/FSA. It also continued with the production of Structural Best Practice Manuals for the FSA, to cover the design of abattoirs, meat cutting and processing plants.

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 carcass quality.

During the year, the Signet Beefbreeder and Sheepbreeder services moved across to using the new BASCO Data Ltd database and the Scottish Agricultural College's Breeding Evaluation Unit started to deliver sheep and beef breeding evaluations

to Signet. These initiatives will improve the performance recording services provided to the industry.

Nearly 300 farmers received at least one day of training from Signet within the Welsh Beef Quality Improvement Project being run by HCC. Feedback has been extremely positive with over 95% of attendees rating the training as either good or excellent.

A new interactive training course was developed for the EBLEX Beef Better Returns Programme to educate producers about bull selection and breeding strategy within the suckler herd.

A new project worth over £150,000 to Signet over five years was agreed with Quality Meat Scotland. The project will demonstrate the commercial value in selecting the right breeding stock to improve the maternal performance of sheep in the hills and uplands.

Winterhill Conference Centre

Winterhill Conference Centre (WCC) provides conference centre facilities to businesses and private parties in the Milton Keynes region. Its main objective is to maximise revenue by delivering a first class customer service.

During the year to 31 March 2007 it continued to broaden its client base and became a popular 'repeat business' choice for a number of local Milton Keynes companies.

The provision of facilities for weddings and evening/weekend functions grew steadily over the period and proved to be a successful addition to the services offered.

The year ahead will see the business strive to continue to grow its client base, whilst maintaining the current key customer base through an emphasis on delivery of service quality.

Directors' remuneration report

Introduction

This report describes how the MLC Board of Commissioners has applied the principles of good governance relating to directors' remuneration.

Unaudited information

Remuneration Committee

MLC has 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 and Mr Houston. Mr Kirk chairs the Committee.

None of the Committee has any personal financial interest (other than as shareholders of levy paying organisations), conflicts of interest 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 up to 28 February 2007) and Mrs Garvey (Company Secretary) about its proposals.

From April 2007 the scope of the Remuneration Committee has been extended to include all members of the MLC Management Committee.

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 directors and the determination of their annual remuneration package are undertaken by the Committee.

There are three main elements of the remuneration package for directors:

- Basic annual salary 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

The Remuneration Committee, usually prior to the beginning of each year, determines the directors' basic salaries. This will also take place 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 March 2006 with increases taking effect from 1 April 2006. There was an additional meeting during the year to consider the remuneration of the Chairs of BPEX and EBLEX. In addition to basic salary, the directors receive certain benefits-in-kind, principally a car/car allowance and private medical insurance.

On 1 March 2007 Mr Roberts was seconded to Defra as the Interim Chief Executive of Levy Board UK. Mr Lowe was appointed Chief Executive of MLC and MLC Accounting Officer effective from 1 March 2007.

Annual bonus payments

The Remuneration 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

The directors are members of the MLC 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 the directors should have contracts with an indefinite term providing for a maximum of one year's notice. Mr Roberts and Mr Lowe have a notice period of one year. Mr Wilson's notice period is six months.

Members of the Commission

All MLC Commissioners have specific terms of engagement and their remuneration is determined by Defra. The Commissioners receive further fees for additional work performed for MLC. The Remuneration Committee also provides recommendations on the honoraria for the Chairs of BPEX and EBLEX. These individuals are not present when their arrangements are discussed.

Audited Information

Directors' detailed emoluments, directors' pension entitlement and emoluments of members of the Commission can be found on the tables on pages 59 to 60.

Approval

This report was approved by the Board of Commissioners on 31 May 2007 and signed on its behalf by:

Peter Barr CBE
Chairman
Meat and Livestock Commission

Remuneration

Directors' detailed emoluments

	For the year ended 31-Mar-07			For the year ended 31-Mar-06
	Salary & fees	Benefits	Total	
	£'000	£'000	£'000	£'000
Note 1 Kevin Roberts, Director General	135	15	150	161
Note 2 Richard Lowe, Chief Executive	113	8	121	115
Note 3 Mike Attenborough, Technical Director	-	-	-	78
Mark Wilson, Director of Pig Industry Development	62	5	67	45
	310	28	338	399

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 directors during the year to 31 March 2007.

	For the year ended 31-Mar-07		For the year ended 31-Mar-06
	Accrued entitlement	Real terms increase in year	
	£'000	£'000	£'000
Note 1 Kevin Roberts, Director General	31	4	27
Note 2 Richard Lowe, Chief Executive	18	3	15
Mark Wilson, Director of Pig Industry Development	2	1	1
	51	8	43

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: In addition, MLC made a payment of £50k into the MLC Pension Scheme during the year ended 31 March 2007 which will enhance Kevin Roberts' accrued pension entitlement at the point of retirement. Kevin Roberts was seconded to Defra as Levy Board UK's interim Chief Executive from 1 March 2007.

Note 2: Richard Lowe was appointed Chief Executive of MLC from 1 March 2007.

Note 3: Mike Attenborough died in service on 13 March 2006.

Remuneration *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-Mar-07				For the year ended 31-Mar-06
	Salary & fees payable by Defra	Expenses payable by Defra	Salary & fees payable by MLC	Total	
	£	£	£	£	£
Peter Barr, Chairman	85,862	17,729	-	103,591	93,975
Paul Kirk, Deputy Chairman	23,708	2,322	6,000	32,030	30,204
Richard Moody, Chair Consumers Committee	20,059	3,749	-	23,808	22,882
Helen Browning	11,533	1,211	-	12,744	12,561
Rees Roberts	11,533	4,237	-	15,770	11,196
John Cross	11,533	4,264	36,050	51,847	59,934
Stewart Houston	11,533	11,336	10,000	32,869	41,897
Richard Cracknell	11,533	890	-	12,423	11,196
Kevin Hawkins	11,533	-	-	11,533	11,196
Neil Stoddart	11,533	4,209	-	15,742	14,807
Donald Biggar	17,542	1,958	-	19,500	-
Jim Walker	-	-	-	-	11,196
	227,902	51,905	52,050	331,857	321,044

During the year Commissioner Paul Kirk was paid an honorarium of £6k by MLC for his chairmanship of the MLC Board of Pension Trustees' (2006: £6k); Commissioner John Cross was paid an honorarium of £36k by MLC for his chairmanship of the English Beef and Lamb Executive (2006: £45k (including a £10k bonus)); and Commissioner Stewart Houston was paid an honorarium of £10k by MLC for his chairmanship of the British Pig Executive (2006: £12k). Donald Biggar's salary and fees payable by Defra for the year ended 31 March 2007 includes a component of back-pay relating to the year ended 31 March 2006.



Accounts for the Year Ended 31 March 2007

Introduction

The Accounts for the financial year ended 31 March 2007 have been approved by the MLC Board of Commissioners and audited by the Comptroller and Auditor General. 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 subsidiary, Meat and Livestock Commercial Services Limited.

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 2006/07 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.

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 107), 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 2007, 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 2007, of £24.97m. 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.

Review of the year and future developments

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.

During the year ahead the focus for the MLC federal bodies will be on continuing to differentiate quality pork, beef and lamb from commodity product, and to assist livestock enterprises to improve their business efficiencies and get better returns.

The federal MLC will also face the challenges arising out of the Defra review of agricultural levy boards, and the need to help deliver a smooth transition to a new levy board structure.

A fuller explanation of these issues can be found in the Chairman's, Chief Executive'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 2007 are listed at the end of this report (see page 106). Donald Biggar was appointed Scottish Commissioner with effect from 1 April 2006, There were no retirements during the year.

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 nonagency duties.

Fixed assets

MLC's freehold properties were professionally re-valued as at 31 March 2006 and the Directors confirm that no significant change in valuation has taken place since that date. Details of the movements in tangible fixed assets and revaluation reserve during the year are set out in Notes 8 and 14 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 359, compared with 594 the previous year. Of those, 121 were funded from the levy. The other 238 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 Chief Executive'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

PricewaterhouseCoopers LLP (PwC) conducted a health and safety audit. After thorough consideration this resulted in increased formalisation of the Committee's own planning and control systems, an update to the health and safety policy document, changes to numbers and training of health and safety officers, and tightened controls for the management of contractors on site. Fire procedures were updated and following a risk assessment of MLC's motor fleet a new driving policy was developed.

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.

The responsibility for Accounting Officer was transferred by Defra to Mr Richard Lowe on his appointment as MLC Chief Executive on 1 March 2007. This followed the secondment of the former Accounting Officer, Mr Kevin Roberts, to Defra as Interim Chief Executive of 'Levy Board UK'.

Board of Commissioners

MLC Board of Commissioners meets up to 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 106).

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 25 – BPEX, page 35 – EBLEX, at www.hccmpw.org.uk – HCC and at www.qmscotland.co.uk – QMS.

Audit Committee

The Audit Committee is comprised entirely of MLC Commissioners and has written terms of reference, which are approved by the MLC 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. (A list of Audit Committee members is given on page 107).

Management Committee

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

Remuneration Committee

The pay and benefits of the Chief Executive 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. The remit of this Committee was extended during the reporting period to also cover the remuneration of the MLC Management Committee for the year 2007/08. (more detail on the Committee is given in the Directors' remuneration report on page 58).

Going concern

In deciding to prepare the accounts on a going-concern basis, the Board of Commissioners reviewed MLC's budget for 2007/08, and the one-year Corporate Plan for 2007/08 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.

In June 2006 Ministers announced the results of the industry consultation on the review of agricultural levy boards. An outcome of this will be the creation of a single NDPB with a number of wholly owned subsidiary companies, which will take over the work of MLC and the other UK levy boards. A consequence of this will be the dissolution of MLC at the end of March 2008. We expect that MLC's assets and liabilities will be transferred into the new group structure at net book value at that date.

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. MLC has a Management Statement and Financial Memorandum, which sets out the broad framework within which MLC is required to operate in relationship to Defra.

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.

Disclosure of information to the auditors

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.

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 EBLEX, BPEX, the MLC Executive and Meat and Livestock Commercial Services Ltd.

This responsibility also extends to HCC. My review of the effectiveness of HCC's system of internal control is informed by representation 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 2007.

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 2007 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 MLC Executive's Management Committee. As Chief Executive 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.

Risk management team

MLC has a risk management team (RMT) made up of a number of nominated senior managers, including the Chief Executives of EBLEX and BPEX. The members of the RMT act as risk champions responsible for disseminating good practice throughout the organisation, implementing the specific actions identified in the corporate and business unit risk registers and updating the registers in the light of any current or anticipated developments that may impact on the group's ability to achieve its objectives.

A key focus for the RMT during the past 12 months has been the risk implications of the post-Levy Board Review 'Fresh Start' initiative. A key outcome of this was the creation of a 'Fresh Start' Risk Register.

The risk framework

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, roles and responsibilities and key aspects of the risk management process.

Risk appetite

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 although we will undertake further work during 2007/08 to more formally define our risk appetite at a business unit, as well as corporate, level.

Risk register

MLC has a group-wide, issues-themed risk register, which has been circulated to all senior managers within the organisation and identifies prioritised risks. To facilitate the further development of a more inclusive risk management framework within MLC a series of business unit level risk registers have been created during the past 12 months, incorporating a new risk scoring system.

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. Our current BCP was prepared almost five years ago and work is currently being undertaken to update it in the form of an initial business impact analysis.

A Business Continuity Management Team (BCMT) was established to co-ordinate MLC's activities in this area. In order to restructure the BCMT along more strategic process lines, its remit has been transferred to the MLC Executive's Management Committee with the remaining members of the previous team forming an immediate response team under the direction of the BCMT.

Annual control risk self-assessment process

MLC completed an annual control risk self-assessment questionnaire produced by PwC at the end of the

year. This has continued to identify a strong response to the questionnaire (89% of controls deemed to be good or adequate) and a small improvement in overall controls since last year.

Anti-fraud policy

MLC is committed to ensuring that the risk of fraud in all its forms is minimised. An important part of this approach is our anti-fraud policy, which informs staff of MLC's approach to the serious issue of fraud and incorporates a fraud response plan. This policy has been extensively updated during the past 12 months.

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. Periodically we submit an extensive return of notifications and schedules required by Defra under its Management Statement Financial Memorandum (MSFM) with MLC.

The planning and control framework

Corporate Plan

Historically the federal MLC group Corporate Plan is produced annually for the forthcoming three-year period and sits at the apex of MLC's planning hierarchy. Strategic plans for EBLEX, BPEX and HCC are included while QMS publishes its own plan.

The scope of the 2006 Corporate Plan was restricted to a two-year period and the 2007 Plan to a one-year period rather than the usual three-years.

This reflects the planned dissolution of MLC on 31 March 2008 and the subsequent creation of a new levy board structure, along with plans being developed by the Welsh Assembly Government for the red meat industry organisation for Wales.

The Corporate Plan provides an overview of the statutory purpose and

structure of federal MLC. It describes the key industry challenges under five headings – sociological, environmental, technological, economic and political – which will impact on the British red meat and livestock industry over the period of the plan.

The mission, key objectives, specific strategies and targets for addressing those industry challenges are described in the context of our federal structure by each federal body within MLC. A risk management component is also included, which ensures that key risks are identified at the planning phase and an appropriate control environment constructed to pro-actively manage these. The Corporate Plan provides an essential context for the development of business unit level annual business plans.

Business plans and budgets

Business unit-level business plans are produced annually for the forthcoming 12-month period and underpin the three-year Corporate Plan as well as informing the annual financial budgeting process. In a similar way to the Corporate Plan, business plans outline the mission, key objectives, specific actions and targets for each business unit within the group. A risk management and people plan component is also included.

Financial budgets are produced annually for the forthcoming 12-month period and underpin the three-year Corporate Plan and annual business plans. A Microsoft Excel-based financial budget model is circulated to appropriate managers during October for completion by early the following January each year. Preliminary budgets are then consolidated and presented to federal body boards and the Board of Commissioners during January of each year.

Corporate guidelines

A set of corporate guidelines have been developed to facilitate the further commercial development of the MLC

Executive. These incorporate a Customer Charter and sections on planning, core and project work initiation, resource acquisition and management, delivery, performance measurement and evaluation and risk management as well as links to other useful information.

Financial reporting framework

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.

From October 2006 the EBLEX management accounts presentation was enhanced with the addition of expenditure commitments information and BPEX management were provided with a new project-level reporting template, underpinned by a comprehensive project initiation framework.

Non-financial reporting framework

We continue to develop our non-financial reporting framework with the objective of using non-financial measures to better drive performance within the group. MLC federal bodies approached their business planning process for 2007/08 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. The EBLEX scorecard has recently been revised to better align it with their business plan. BPEX management have also developed an extensive performance measurement and evaluation framework and will shortly consolidate this into a more formal scorecard.

The financial systems framework

Agresso management information system

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

Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. This review 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.

Board of Commissioners

The MLC 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. This includes determining the level of risk that is acceptable in specific areas of activity. It does this by its policy and overall approach.

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 made 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.

The MLC Executive 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.

Risk management team

This is described in detail on page 66.

Internal audit

MLC's internal audit function is outsourced to 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 22 February 2006, 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 2006/07 plan, or agreement reached to defer or cancel the scheduled reviews. These reviews, together with other activity undertaken by internal audit, are as follows:

- Business continuity and disaster recovery audit, through workshops with the BCMT. Current arrangements were reviewed through a benchmarking and comparison exercise to identify any potential and new threats to business continuity not covered by current arrangements. A small number of potential disaster scenarios were worked through to assess the adequacy of the current arrangements in a hypothetical situation.
- Programme and contract management audit to determine the adequacy of controls over MLC's programme and contract management processes.
- Corporate governance and risk management audit to evaluate MLC's risk management procedures for compliance with HM Treasury's Orange Book, and to provide advice on how to improve risk management procedures. To also evaluate MLC's governance arrangements for compliance with HM Treasury's Code on Corporate Governance and Cabinet Office Guidance on Codes of Practice for Board Members of Public Bodies and to provide advice on how to improve governance arrangements.

- General computer controls audit to assess the progress in implementing the agreed management actions arising from the 2005/06 internal audit report.
- Business process controls review to validate the key controls in the significant financial activities (e.g. payroll, staff expenses, accounts receivable, accounts payable, treasury and fixed assets) and to review the appropriateness of segregated duty controls.

In summary, these reviews generated 16 medium-level and 10 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, further 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. In line with emerging best practice there is always further scope to improve the risk management, governance and internal control processes.

By order of the Meat and Livestock Commission

Richard Lowe
Chief Executive
Meat and Livestock Commission

Statement of the Commission's and Chief Executive's responsibilities

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.
- 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 MLC Board of Commissioners confirms that it has complied with the above requirements in preparing the financial statements.

The MLC 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 for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Principal Accounting Officer at the Department for Environment, Food and Rural Affairs, who is the Permanent Secretary, designated the Chief Executive 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 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.

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



Meat and Livestock Commission

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament, the Scottish 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 2007 under the Agriculture Act 1967 as amended by the Government Resources and Accounts Act 2000 (Audit of Public Bodies), Order. These comprise the Consolidated Income and Expenditure Account, the Consolidated and Commission Balance Sheets, the Consolidated Cash Flow Statement and the Consolidated 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. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Meat and Livestock Commission, the Chief Executive and Auditor

The Commission and Chief Executive are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Agriculture Act 1967 and the Secretary of State's directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Meat and Livestock Commission's responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited 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 and the Secretary of State's directions made thereunder. I report to you whether, in my opinion, certain information given in the Annual Report, which comprises the MLC Chief Executive's Report and the Introduction, Foreword and Principal Activities, is consistent with the financial statements. 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.

In addition, I report to you if the Meat and Livestock 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 HM Treasury regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal Control reflects the Meat and Livestock Commission's compliance with HM Treasury's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of the Meat and Livestock 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. 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 Meat and Livestock Commission and Chief Executive in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Meat and Livestock 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.

*The Certificate and Report of the
Comptroller and Auditor General
(continued)*

Opinions Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with Section 19 of the Agriculture Act 1967 and directions made thereunder by the Secretary of State, of the state of the Meat and Livestock Commission's affairs as at 31 March 2007 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 the Section 19 of the Agriculture Act 1967 and directions made thereunder by the Secretary of State; and
- information given within the Annual Report, which comprises the MLC Chief Executive's Report and the Introduction, Foreword and Principal Activities is consistent with the financial statements.

Audit opinion on regularity

In my opinion, 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.

Report

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

19 June 2007

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

19 June 2007

Consolidated income and expenditure account

	Note	For the year ended 31-Mar-07	For the year ended 31-Mar-06		
			Discontinued activities	Continuing activities	Total
		£'000	£'000	£'000	£'000
Income					
Gross levy, fee and other income	2	41,280	5,456	42,304	47,760
Net levy transfers to QMS/HCC	2	(7,625)	-	(8,032)	(8,032)
HM Government agency and related services	3	2,210	-	2,151	2,151
		35,865	5,456	36,423	41,879
Expenditure					
Levy and other operating expenditure	2	(35,340)	(5,147)	(37,314)	(42,461)
HM Government agency and related services	3	(2,092)	-	(2,037)	(2,037)
		(37,432)	(5,147)	(39,351)	(44,498)
Deficit on ordinary activities before interest and taxation	4	(1,567)	309	(2,928)	(2,619)
Interest receivable	6	473			346
Other finance income	5(4)	2,300			2,900
Profit from sale of EFSIS		-			2,919
Surplus on ordinary activities before taxation		1,206			3,546
Taxation	7	(134)			(362)
Surplus for the year on ordinary activities after taxation		1,072			3,184
Minority interests		-			(87)
Reserves distribution to QMS	14	-			(571)
Retained surplus for the financial year		1,072			2,526
Allocated to accumulated funds					
General		1,746			4,813
Beef promotion		(223)			(1,210)
Lamb promotion		(875)			(1,242)
Pork and bacon promotion		424			165
	14	1,072			2,526

Consolidated statement of total recognised gains and losses

	For the year ended 31 March 07	For the year ended 31 March 06
	£'000	£'000
Surplus for the financial year	1,072	2,526
Actuarial loss recognised in the pension scheme (Note 5(5))	(200)	(1,900)
Surplus on revaluation of freehold property	-	1,412
Total gains and losses relating to the year	872	2,038

Consolidated balance sheet

	Note	As at 31 March 07		As at 31 March 06	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	8		5,532		5,814
Current assets					
Stocks	9	31		44	
Debtors - amounts falling due within one year	10	6,126		4,544	
Defra Fund	11	4,051		4,593	
Short term investments - cash on deposit		3,780		2,500	
PIDS Fund	12	70		67	
Cash at bank and in hand		7,090		11,856	
		21,148		23,604	
Creditors - amounts falling due within one year	13	(8,538)		(11,314)	
Net current assets			12,610		12,290
Total assets less current liabilities			18,142		18,104
Creditors - amounts falling due after more than one year	13		(58)		(82)
Defra underwrite for redundancy	11		(4,051)		(4,593)
Net assets excluding pension asset			14,033		13,429
Pension asset - MLC Pension Fund	5(6)		24,968		24,700
Net assets including pension asset			39,001		38,129
Capital and Reserves					
Accumulated funds					
Restricted fund - Pension	14	18,651		18,851	
General	14	10,385		8,817	
Beef promotion	14	1,735		1,958	
Lamb promotion	14	1,273		2,148	
Pork and bacon promotion	14	4,713		4,289	
		18,106		17,212	
			36,757		36,063
Revaluation reserve	14		2,244		2,066
			39,001		38,129

The accounts were approved by the MLC Board of Commissioners at a meeting on 31 May 2007 and signed on its behalf by:

P Barr
CHAIRMAN

R Lowe
CHIEF EXECUTIVE

Commission balance sheet

	Note	As at 31 March 07		As at 31 March 06	
		£'000	£'000	£'000	£'000
Fixed assets					
Tangible assets	8		5,531		5,814
Current assets					
Stocks	9	31		44	
Debtors - amounts falling due within one year	10	5,635		4,165	
Defra Fund	11	4,051		4,593	
Short term investments - cash on deposit		3,780		2,500	
PIDS Fund	12	70		67	
Cash at bank and in hand		5,668		11,113	
		19,235		22,482	
Creditors - amounts falling due within one year	13	(7,670)		(10,965)	
Net current assets			11,565		11,517
Total assets less current liabilities			17,096		17,331
Creditors - amounts falling due after more than one year	13		(58)		(82)
Defra underwrite for redundancy	11		(4,051)		(4,593)
Net assets excluding pension asset			12,987		12,656
Pension asset - MLC Pension Fund	5(6)		24,968		24,700
Net assets including pension asset			37,955		37,356
Capital and Reserves					
Accumulated funds					
Restricted fund - Pension	14	18,651		18,851	
General	14	9,339		8,044	
Beef promotion	14	1,735		1,958	
Lamb promotion	14	1,273		2,148	
Pork and bacon promotion	14	4,713		4,289	
		17,060		16,439	
			35,711		35,290
Revaluation reserve	14	2,244		2,066	
		37,955		37,356	

The accounts were approved by the MLC Board of Commissioners at a meeting on 31 May 2007 and signed on its behalf by:

P Barr
CHAIRMAN

R Lowe
CHIEF EXECUTIVE

Consolidated cash flow statement

	Note	For the year ended 31-Mar-07	For the year ended 31-Mar-06
		£'000	£'000
Net cash (outflow)/inflow from operating activities		(4,142)	1,535
Returns on investments and servicing of finance	16a	353	266
Taxation - Group		(209)	(416)
Capital expenditure and financial investment	16b	(27)	(58)
Sale of subsidiary	16c	-	2,883
		(4,025)	4,210
Management of liquid resources		(1,280)	2,500
Decrease in cash		(5,305)	6,710
Reconciliation of net cash flow to movement in net funds			
Decrease in cash for the period	16d	(5,305)	6,710
Increase/(decrease) in liquid resources	16d	1,280	(2,500)
	16d	(4,025)	4,210
Total net funds at 1 April		19,016	14,806
Total net funds at 31 March		14,991	19,016
Reconciliation of operating deficit to net cash (outflow)/inflow from operating activities			
Deficit on ordinary activities before interest		(1,567)	(2,619)
Depreciation		309	293
Goodwill amortisation		-	23
Current pension service cost net of contributions		1,832	1,000
Deficit on disposal of fixed assets		-	3
Decrease in stocks		13	7
(Increase)/decrease in debtors		(1,582)	3,785
Decrease in creditors		(3,147)	(957)
Net cash (outflow)/inflow from operating activities		(4,142)	1,535

Notes to accounts

1. 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 Financial Reporting Manual issued by HM Treasury and meet the provisions of the Companies Act 1985 and conform with applicable United Kingdom Accounting Standards in so far as these are appropriate to MLC and are in force for the financial year for which the accounts have been prepared. A summary of the more important accounting policies, which have been applied consistently, is set out below.

Consolidation

MLC's subsidiary has 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 subsidiary are combined with those of MLC.

Tangible fixed assets

Tangible fixed assets are stated at valuation except for motor vehicles and equipment which are stated at cost, where there is no material difference. 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 2007 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

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.

Notes to accounts

2. Analysis of levy, fee and other income and expenditure

	General fund	Species promotion funds				Total
		Beef	Lamb	Pork and bacon	Combined promotion	
Appendix	2				5	
For the year ended 31 March 2007	£'000	£'000	£'000	£'000	£'000	£'000
Income						
Gross levy	12,805	5,275	5,058	5,185	15,518	28,323
Net levy transfer to QMS (Note 18)	(1,917)	(1,301)	(501)	(446)	(2,248)	(4,165)
Net levy transfer to HCC (Note 18)	(1,688)	(321)	(1,434)	(17)	(1,772)	(3,460)
Net levy transfer from HCC	10	-	-	17	17	27
Fee and other income	12,905	-	-	25	25	12,930
Total income	22,115	3,653	3,123	4,764	11,540	33,655
Expenditure						
Expenses of levy collection	(232)	(67)	(122)	(88)	(277)	(509)
Operating expenditure	(22,667)	(3,861)	(3,923)	(4,380)	(12,164)	(34,831)
Total expenditure	(22,899)	(3,928)	(4,045)	(4,468)	(12,441)	(35,340)
(Deficit)/surplus on levy, fee and other income	(784)	(275)	(922)	296	(901)	(1,685)
For the year ended 31 March 2006						
Income						
Gross levy	12,618	4,807	5,299	5,172	15,278	27,896
Net levy transfer to QMS (Note 18)	(1,891)	(1,300)	(482)	(438)	(2,220)	(4,111)
Net levy transfer to HCC (Note 18)	(1,915)	(353)	(1,637)	(16)	(2,006)	(3,921)
Net levy transfer from HCC	10	-	-	16	16	26
Fee and other income	19,536	285	-	17	302	19,838
Total income	28,358	3,439	3,180	4,751	11,370	39,728
Expenditure						
Expenses of levy collection	(248)	(63)	(142)	(88)	(293)	(541)
Operating expenditure	(28,817)	(4,169)	(4,342)	(4,592)	(13,103)	(41,920)
Total expenditure	(29,065)	(4,232)	(4,484)	(4,680)	(13,396)	(42,461)
(Deficit)/surplus on levy, fee and other income	(707)	(793)	(1,304)	71	(2,026)	(2,733)

Notes to accounts

3. HM Government Agency and related services

	For the year ended 31 March 07	For the year ended 31 March 06
	£'000	£'000
Income		
Rural Payments Agency	2,002	1,991
Agriculture departments	208	160
	2,210	2,151
Expenditure		
Market support measures for the Rural Payments Agency	(1,901)	(1,890)
Price reporting on behalf of agriculture departments	(191)	(147)
	(2,092)	(2,037)
Surplus (Appendix 2)	118	114

4. Deficit on ordinary activities before interest and taxation

	For the year ended 31-Mar-07	For the year ended 31-Mar-06
	£'000	£'000
Deficit on ordinary activities before interest is stated after charging/(crediting)		
Depreciation of tangible fixed assets	309	293
Amortisation of goodwill	-	23
Loss on sale of tangible assets	-	3
Leasehold property rents	139	121
Hire of equipment under operating leases	40	43
Vehicle leases	281	551
Auditors' remuneration	55	41
Research and development	1,773	1,321

Notes to accounts

5. 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 31 March 2006. The FRS 17 figures as at 31 March 2007 have been based on an update of the 31 March 2006 valuation by qualified actuaries.

2) Financial assumptions

These are set out in the table below.

	31-Mar-07 % pa	31-Mar-06 % pa	31-Mar-05 % pa
Price inflation	3.10	2.80	2.75
Rate of increase in pay	4.60	4.30	4.25
Rate of increase of pensions in payment*	3.10	2.80	2.75
Rate of increase for deferred pensioners*	3.10	2.80	2.75
Discount rate	5.40	5.00	5.40

* 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-Mar-07	Value at 31-Mar-07	Long-term rate of return expected on 31-Mar-06	Value at 31-Mar-06	Long-term rate of return expected on 31-Mar-05	Value at 31-Mar-05
	% pa	£'000	% pa	£'000	% pa	£'000
UK equities	8.35	21,700	8.25	20,700	8.40	56,200
Overseas equities	8.35	43,000	8.25	45,700	8.40	38,300
Bonds (UK and overseas)	4.70	146,600	4.30	147,600	4.80	94,100
Cash (including net current assets and investment income due)	4.10	300	3.80	500	3.75	300
Total value of assets	5.80*	211,600	5.50*	214,500	6.20*	188,900

* the expected rates of return at 31 March 2005, 31 March 2006 and 31 March 2007 have been set with regard to the Scheme's long-term asset allocation.

Notes to accounts

4) Components of defined benefit cost for the year ended 31 March 2007

Analysis of amounts charged to operating surplus:

	For the year ended 31-Mar-07	For the year ended 31-Mar-06
	£'000	£'000
a. Current service cost	2,200	2,400
b. Past service costs	-	-
c. Previously unrecognised surplus deducted from past service costs	-	-
d. Total charged to operating surplus	2,200	2,400

Analysis of other amounts charged to income and expenditure account:

	For the year ended 31-Mar-07	For the year ended 31-Mar-06
	£'000	£'000
e. (Gain)/loss on settlements	-	-
f. Previously unrecognised surplus deducted from settlement loss	-	-
g. (Gain)/loss on curtailment	-	(535)
h. Previously unrecognised surplus deducted from curtailment loss	-	-
i. Net (gain)/loss charged to the income and expenditure account	-	(535)

Analysis of the amount charged/credited to other finance income:

	For the year ended 31-Mar-07	For the year ended 31-Mar-06
	£'000	£'000
j. Interest on Scheme liabilities	9,200	8,600
k. Expected return on assets in the Scheme	(11,500)	(11,500)
l. Net credit to other finance income	(2,300)	(2,900)
Total income and expenditure charge before deduction for tax (tax nil) d + i + l	(100)	(1,035)

Analysis of the amounts recognised in STRGL:

	For the year ended 31-Mar-07	For the year ended 31-Mar-06
	£'000	£'000
m. Loss/(gain) on assets	5,000	(21,600)
n. Experience gain on liabilities	(1,100)	(6,200)
o. (Gain)/loss on change of assumptions (financial and demographic)	(3,700)	29,700
p. Total loss recognised in STRGL before adjustment for tax	200	1,900

Notes to accounts

5) History of experience gains and losses

	For the year ended 31-Mar-07	For the year ended 31-Mar-06	For the year ended 31-Mar-05
a. Loss/(gain) on Scheme assets			
amount (£'000)	5,000	(21,600)	(4,700)
% of Scheme assets at end of year	2.36%	10.10%	2.50%
b. Experience (gain)/loss on Scheme liabilities			
amount (£'000)	(1,100)	(6,200)	2,700
% of Scheme liabilities at end of year	0.59%	3.30%	1.60%
c. Total actuarial loss recognised in STRGL			
amount (£'000)	200	1,900	700
% of Scheme liabilities at end of year	0.11%	1.00%	0.40%

6) Reconciliation to the balance sheet

	For the year ended 31-Mar-07	For the year ended 31-Mar-06	For the year ended 31-Mar-05
	£'000	£'000	£'000
a. Market value of Scheme assets	211,600	214,500	188,900
b. Actuarial value of Scheme liabilities	(186,632)	(189,800)	(164,200)
c. Surplus in the Scheme	24,968	24,700	24,700
d. Irrecoverable surplus	-	-	-
e. Pension asset recognised in balance sheet (before allowance for deferred tax(deferred tax nil))	24,968	24,700	24,700

Analysis of the movement in surplus (deficit) during the year:

	For the year ended 31-Mar-07	For the year ended 31-Mar-06
	£'000	£'000
Surplus in the Scheme at beginning of year	24,700	24,700
Contributions paid	368	865
Current service cost	(2,200)	(2,400)
Curtailment cost	-	535
Other finance income	2,300	2,900
Actuarial loss	(200)	(1,900)
Surplus in the Scheme at end of year	24,968	24,700

Notes to accounts

6. Interest receivable

	For the year ended 31-Mar-07	For the year ended 31-Mar-06
	£'000	£'000
Interest receivable	473	346
Allocated to accumulated funds		
General fund	246	127
Beef promotion	52	63
Lamb promotion	48	62
Pork and bacon promotion	127	94
	473	346

The amount of interest receivable has been allocated to the various funds on the basis of their respective average funds position during the year.

7. Taxation

	For the year ended 31-Mar-07	For the year ended 31-Mar-06
	£'000	£'000
Current tax		
UK corporation tax on commercial profits for the period	8	(99)
UK corporation tax on interest income for the period	(142)	(104)
UK corporation tax associated with the EFSIS sale	-	(159)
Total current tax	(134)	(362)
Deferred tax		
Origination and reversal of timing differences (ACA and other)	-	-
Total deferred tax	-	-
Tax on profit on ordinary activities	(134)	(362)
Allocated to accumulated funds		
General	(134)	(362)
Beef promotion	-	-
Lamb promotion	-	-
Pork and bacon promotion	-	-
	(134)	(362)

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

7. 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-Mar-07	For the year ended 31-Mar-06
	£'000	£'000
Surplus on ordinary activities before tax	1,206	3,546
Surplus on ordinary activities multiplied by standard rate in the UK 30%	362	1,064
Effects of:		
Surplus on non-taxable activities	(228)	(702)
Current tax charge for the year	134	362

8. Tangible assets

Group	Freehold property	Motor vehicles	Equipment	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
As at 1 April 2006	5,600	63	1,512	7,175
Additions	-	-	28	28
Disposals	-	-	(95)	(95)
As at 31 March 2007	5,600	63	1,445	7,108
Depreciation				
As at 1 April 2006	-	(53)	(1,308)	(1,361)
Charge for year	(195)	-	(114)	(309)
Relating to disposals	-	-	94	94
As at 31 March 2007	(195)	(53)	(1,328)	(1,576)
Net book amount as at 31 March 2007	5,405	10	117	5,532
Net book amount as at 31 March 2006	5,600	10	204	5,814

Notes to accounts

8. Tangible assets (continued)

MLC	Freehold property	Motor vehicles	Equipment	Total
	£'000	£'000	£'000	£'000
Cost or valuation				
As at 1 April 2006	5,600	63	1,512	7,175
Additions	-	-	27	27
Disposals	-	-	(95)	(95)
As at 31 March 2007	5,600	63	1,444	7,107
Depreciation				
As at 1 April 2006	-	(53)	(1,308)	(1,361)
Charge for year	(195)	-	(114)	(309)
Relating to disposals	-	-	94	94
As at 31 March 2007	(195)	(53)	(1,328)	(1,576)
Net book amount as at 31 March 2007	5,405	10	116	5,531
Net book amount as at 31 March 2006	5,600	10	204	5,814

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 2007 of freehold property according to the historical cost convention is:	£'000
Cost	6,900
Depreciation	(3,739)
Net book amount	3,161

Notes to accounts

9. Stocks

	Group As at 31-Mar-07	MLC As at 31-Mar-07	Group As at 31-Mar-06	MLC As at 31-Mar-06
	£'000	£'000	£'000	£'000
Animals	27	27	38	38
Ancillary farm stocks and other materials	4	4	6	6
	31	31	44	44

10. Debtors

	Group As at 31-Mar-07	MLC As at 31-Mar-07	Group As at 31-Mar-06	MLC As at 31-Mar-06
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Levy income receivable	2,824	2,824	3,001	3,001
Debtors for fee and other income	1,026	584	990	611
Amounts owed by subsidiary undertakings	-	37	-	-
Prepayments and accrued income	556	549	421	421
Deferred tax (Note 7)	56	56	56	56
Other taxation and social security	150	248	-	-
Rural Payments Agency	30	30	76	76
Department for Environment, Food and Rural Affairs	1,484	1,307	-	-
	6,126	5,635	4,544	4,165

Notes to accounts

11. Defra underwrite for redundancy

	Group As at 31-Mar-07	MLC As at 31-Mar-07	Group As at 31-Mar-06	MLC As at 31-Mar-06
	£'000	£'000	£'000	£'000
As at 1 April	(4,593)	(4,593)	(4,468)	(4,468)
Amounts received and applied for:				
Repayment to Defra	670	670	-	-
Expenses incurred	71	71	76	76
Interest	(199)	(199)	(201)	(201)
As at 31 March	(4,051)	(4,051)	(4,593)	(4,593)
Defra fund	4,051	4,051	4,593	4,593
Net claims to be submitted to Defra	-	-	-	-
Liability as above	4,051	4,051	4,593	4,593

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 discretion that there is no possibility of any liability arising, then he may terminate the agreement by giving MLC written notice of this decision.

12. PIDS fund

	Group As at 31-Mar-07	MLC As at 31-Mar-07	Group As at 31-Mar-06	MLC As at 31-Mar-06
	£'000	£'000	£'000	£'000
As at 1 April	(67)	(67)	(65)	(65)
Interest	(3)	(3)	(2)	(2)
As at 31 March	(70)	(70)	(67)	(67)
PIDS fund	70	70	67	67
Creditor as above (Note 13)	70	70	67	67

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.

Notes to accounts

13. Creditors

	Group As at 31-Mar-07	MLC As at 31-Mar-07	Group As at 31-Mar-06	MLC As at 31-Mar-06
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Trade creditors	(5,631)	(5,542)	(6,543)	(6,501)
Redundancy creditor (net)	(26)	(26)	(38)	(38)
Accruals and deferred income	(774)	(181)	(538)	(232)
Other creditors	(1,376)	(1,324)	(1,626)	(1,626)
Corporation tax	(326)	(321)	(401)	(396)
Other taxation and social security	(335)	(206)	(420)	(424)
PIDS fund (Note 12)	(70)	(70)	(67)	(67)
Department for Environment, Food and Rural Affairs	-	-	(1,681)	(1,681)
	(8,538)	(7,670)	(11,314)	(10,965)
Amounts falling due after more than one year				
Redundancy creditor (net)	(58)	(58)	(82)	(82)

Included in the redundancy creditor (net) above are redundancy compensation payments receivable from the Rural Payments Agency, which are offset against redundancy compensation liabilities, as follows:

	Group As at 31-Mar-07	MLC As at 31-Mar-07	Group As at 31-Mar-06	MLC As at 31-Mar-06
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Redundancy compensation payments	(206)	(206)	(308)	(308)
Less amounts receivable from:				
Rural Payments Agency	180	180	270	270
	(26)	(26)	(38)	(38)
Amounts falling due after more than one year				
Redundancy compensation payments	(247)	(247)	(442)	(442)
Less amounts receivable from:				
Rural Payments Agency	189	189	360	360
	(58)	(58)	(82)	(82)

Notes to accounts

14. 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 2006	18,851	8,817	1,958	2,148	4,289	36,063
Pension scheme movements (Note 5): Actuarial loss	(200)	-	-	-	-	(200)
Transfer of excess depreciation on revalued assets	-	(178)	-	-	-	(178)
Surplus/(deficit) for the year	-	1,746	(223)	(875)	424	1,072
Balance as at 31 March 2007	18,651	10,385	1,735	1,273	4,713	36,757

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 2006	18,851	8,044	1,958	2,148	4,289	35,290
Pension scheme movements (Note 5): Actuarial loss	(200)	-	-	-	-	(200)
Transfer of excess depreciation on revalued assets	-	(178)	-	-	-	(178)
Surplus/(deficit) for the year	-	1,473	(223)	(875)	424	799
Balance as at 31 March 2007	18,651	9,339	1,735	1,273	4,713	35,711

Revaluation reserve	£'000
Balance as at 1 April 2006	2,066
Transfer of excess depreciation on revalued assets	178
Revaluation	-
Balance as at 31 March 2007	2,244

During the year to 31 March 2005 the MLC 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 £571k and £512k for QMS and HCC respectively. In March 2006 £571k of pre-devolution reserves were allocated to QMS and HCC have requested that their pre-devolution reserves allocation of £512k be accounted for during the financial year ending 31 March 2008.

Notes to accounts

15. 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 £799k (2006: £1,827k).

16. Notes to the cashflow statement

	For the year ended 31-Mar-07	For the year ended 31-Mar-06
	£'000	£'000
Note 16a Returns on investments and servicing of finance		
Distribution to QMS	(120)	(80)
Interest received	473	346
	353	266
Note 16b Capital expenditure and financial investment		
Payments to acquire tangible fixed assets	(28)	(59)
Receipts from sale of tangible fixed assets	1	1
	(27)	(58)
Note 16c Acquisitions and disposals		
Sale of subsidiary	-	2,883

	1-Apr-2006	Cash flow	31-Mar-2007
	£'000	£'000	£'000
Analysis of net funds			
Note 16d Cash at bank and in hand :			
Defra fund	4,593	(542)	4,051
PIDS fund	67	3	70
Cash at bank and in hand	11,856	(4,766)	7,090
	16,516	(5,305)	11,211
Short term investments - cash on deposit	2,500	1,280	3,780
Total	19,016	(4,025)	14,991

Notes to accounts

17. Financial commitments

	Group As at 31-Mar-07	MLC As at 31-Mar-07	Group As at 31-Mar-06	MLC As at 31-Mar-06
	£'000	£'000	£'000	£'000
Capital expenditure commitments				
Contracted for	1	1	4	4
Approved research projects				
Within one year	1,786	1,786	1,411	1,411
Thereafter	1,764	1,764	1,411	1,411
	3,550	3,550	2,822	2,822
Operating leases				
As at 31 March 2007 MLC was committed to payments in the following year in respect of non-cancellable operating leases, which expire as follows:				
Property				
Within one year	9	6	7	7
Between two and five years	52	41	52	52
Over five years	24	24	25	25
	85	71	84	84
Vehicles				
Within one year	57	57	51	51
Between two and five years	328	328	306	306
	385	385	357	357
Equipment				
Within one year	-	-	23	23
Between two and five years	25	21	3	3
	25	21	26	26

18. Related party transactions

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 regarded as a related party. The Rural Payments Agency (RPA) is an executive agency of Defra and by virtue of its relationship with Defra is also regarded as a related party.

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 £4.2m (2006: £4.1m) to QMS to finance its own operations. MLC owed QMS £1,116k as at 31 March 2007 (2006: £1,210k).

Hybu Cig Cymru (HCC) represents the interests of the meat and livestock industry in Wales. HCC 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 £3.5m (2006: £3.9m) to HCC to finance its own operations. MLC owed HCC £169k as at 31 March 2007 (2006: £372k).

Notes to accounts

19. Employees

	For the year ended 31-Mar-07	For the year ended 31-Mar-06
Numbers employed		
The average numbers employed by MLC during the year were:		
Commercial activities		
Commercial services	214	452
Other fee earning and grant-supported activities		
Signet Breeding Services	13	14
Stotfold pig unit	2	3
Red Meat Industry Forum	9	8
	24	25
Levy dependent activities		
Consumer, trade and export marketing	26	26
Industry development	10	10
Research and development and technical support	23	19
Species strategy and communications	9	8
Directorate, finance, personnel and internal services	23	24
EBLEX	27	27
BPEX	3	3
	121	117
	359	594
Staff costs		
	£'000	£'000
Salaries	10,168	13,097
Aggregate travelling and subsistence	904	1,195
Social security costs	961	1,231
Other pension costs - current service costs (note 5(4))	2,200	2,400
	14,233	17,923

Notes to accounts

20. Financial instruments

Because of the nature of its activities and the way in which MLC is financed, it is not exposed to the degree of financial risk faced by other business entities. Moreover, financial instruments play a much more limited role than would be typical of the listed companies to which FRS 13 mainly applies.

Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing MLC in undertaking its activities, or for trading. The fair values of all its financial assets and liabilities approximate to their net book values. In line with FRS 13, short term debtors and creditors (those which mature or become payable within 12 months from the balance sheet date) have been excluded from these disclosures.

Credit and liquidity risk

MLC is exposed to the usual credit risk and cash flow risk associated with invoicing on credit and manages this through credit control procedures. The nature of its financial instruments means that they are not subject to price risk or liquidity risk.

Interest rate risk

MLC is not exposed to any interest rate risk. All surplus funds are placed on deposit with commercial banks at the prevailing deposit interest rate.

Foreign currency risk

MLC's exposure to foreign currency risk is not currently significant.

21. Post balance sheet events

MLC's financial statements are laid before each House of the UK Parliament, the Scottish Parliament and the National Assembly for Wales by the Secretary of State for Environment, Food and Rural Affairs. FRS 21 requires MLC to disclose the date on which the accounts are authorised for issue. This is the date on which the certified accounts are despatched by MLC to the Secretary of State for Environment, Food and Rural Affairs. The authorised date for issue is 12 July 2007.

Appendix 1: Financial performance

	2006/07	2005/06	2004/05	2003/04	2002/03
Summary results - Group	£m	£m	£m	£m	£m
Gross levy (inc PIDS levy)	28.3	27.9	26.3	26.8	29.6
Net levy transfers to QMS/HCC	(7.6)	(8.0)	(7.0)	(7.0)	-
Fee and other income	12.9	19.8	21.1	21.7	25.2
HM Government agency	2.2	2.2	2.3	2.5	2.1
Total operating income	35.8	41.9	42.7	44.0	56.9
Operating expenditure	(37.4)	(44.5)	(46.6)	(43.2)	(46.6)
Operating (deficit)/surplus	(1.6)	(2.6)	(3.9)	0.8	10.3
Other net income/(expenditure)					
- Interest	0.5	0.3	0.3	0.2	(0.1)
- Other finance income	2.3	2.9	4.1	2.7	4.1
- Profit from sale of EFSIS	-	2.9	-	-	-
- Taxation	(0.1)	(0.3)	(0.3)	(0.2)	(1.4)
- Minority interests	-	(0.1)	-	-	-
- Reserves distribution to QMS	-	(0.6)	-	-	-
Surplus for the year	1.1	2.5	0.2	3.5	12.9

	2006/07 Actual	2006/07 Target	2005/06 Actual	2004/05 Actual	2003/04 Actual	2002/03 Actual
Performance indicators						
MLC has set itself the target of making services self-funding						
Services to industry income as a percentage of expenditure	104.17	100.00	103.46	103.62	102.64	108.45
MLC is seeking further improvements in staff productivity						
Staff costs per £1 expenditure of levy dependent activities	0.21	0.21	0.22	0.22	0.23	0.20
Staff numbers per £1 million expenditure of levy dependent activities (adjusted for changes in the Retail Price Index)	6.90	6.73	6.90	7.20	7.70	6.20
MLC seeks to restrict long term borrowings to a minimum						
Long-term borrowings as a percentage of capital and reserves	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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.

Appendix 2: MLC group - General fund

	For the year ended 31-Mar-07	For the year ended 31-Mar-06		
		Discontinued activities	Continuing activities	Total
	£'000	£'000	£'000	£'000
Income				
Gross levy	12,805	-	12,618	12,618
Expenses of collection	(232)	-	(248)	(248)
Net levy before transfers to QMS/HCC	12,573	-	12,370	12,370
Net levy transfer to QMS (Note 18)	(1,917)	-	(1,891)	(1,891)
Net levy transfer to HCC (Note 18)	(1,688)	-	(1,915)	(1,915)
Net levy transfers from HCC	10	-	10	10
Net levy after transfers (to)/from QMS/HCC	8,978	-	8,574	8,574
Fee income				
Marketing	2,434	-	1,308	1,308
Export marketing	89	-	41	41
Industry development	1,298	-	1,881	1,881
Commercial services	5,689	5,456	7,179	12,635
Science and technology transfer	1,176	-	1,057	1,057
Other income	931	-	1,185	1,185
External devolved body "buy-back"	1,288	-	1,429	1,429
	12,905	5,456	14,080	19,536
Total net income	21,883	5,456	22,654	28,110
Operating expenditure				
Marketing	(1,665)	-	(1,459)	(1,459)
Export marketing	(1,124)	-	(1,091)	(1,091)
Industry development	(3,583)	-	(3,999)	(3,999)
Commercial services	(5,491)	(5,147)	(7,108)	(12,255)
Research	(1,773)	-	(1,321)	(1,321)
Science and technology transfer	(3,798)	-	(3,422)	(3,422)
Industry communications and species management	(2,761)	-	(2,726)	(2,726)
Other expenditure	(272)	-	(679)	(679)
Current pension service cost (Note 5(4))	(2,200)	-	(2,400)	(2,400)
Pension curtailment gain (Note 5(4))	-	-	535	535
Total operating expenditure	(22,667)	(5,147)	(23,670)	(28,817)
Deficit on ordinary activities before interest	(784)	309	(1,016)	(707)
Interest allocation (Note 6)	246			127
Other finance income (Note 5(4))	2,300			2,900
Profit from sale of EFSIS	-			2,919
Surplus on ordinary activities before taxation	1,762			5,239
Taxation (Note 7)	(134)			(362)
Surplus for the year on ordinary activities after taxation	1,628			4,877
Minority interests	-			(87)
Surplus for the year on ordinary activities after minority interests	1,628			4,790
Surplus on HM Government agency and related services (Note 3)	118			114
Reserves distribution to QMS (Note 14)	-			(91)
Surplus for the financial year (Note 14)	1,746			4,813

Appendix 3: EBLEX - General fund

	For the year ended 31-Mar-07	For the year ended 31-Mar-06		
		Discontinued activities	Continuing activities	Total
	£'000	£'000	£'000	£'000
Income				
Gross levy	6,215	-	5,823	5,823
Expenses of collection	(113)	-	(119)	(119)
Net levy before transfers to QMS/HCC	6,102	-	5,704	5,704
Net levy transfer to QMS (Note 18)	-	-	-	-
Net levy transfer to HCC (Note 18)	-	-	-	-
Net levy transfers from HCC	-	-	-	-
Net levy after transfers (to)/from QMS/HCC	6,102	-	5,704	5,704
Fee income				
Marketing	2,434	-	1,270	1,270
Export marketing	89	-	27	27
Industry development	865	-	1,254	1,254
Commercial services	-	-	-	-
Science and technology transfer	644	-	601	601
Other income	531	-	989	989
External devolved body "buy-back"	-	-	-	-
	4,563	-	4,141	4,141
Total net income	10,665	-	9,845	9,845
Operating expenditure				
Marketing	(1,335)	-	(2,027)	(2,027)
Export marketing	(655)	-	(345)	(345)
Industry development	(2,351)	-	(2,802)	(2,802)
Commercial services	-	-	-	-
Research	(101)	-	(106)	(106)
Science and technology transfer	(1,868)	-	(2,015)	(2,015)
Industry communications and species management	(1,822)	-	(1,780)	(1,780)
Other expenditure	-	-	-	-
Current pension service cost (Note 5(4))	-	-	-	-
Pension curtailment gain (Note 5(4))	-	-	-	-
Total operating expenditure	(8,132)	-	(9,075)	(9,075)
Surplus for the financial year	2,533	-	770	770

The above analysis details EBLEX's direct share of general fund operating expenditure. Please note that the total of the analyses detailed in Appendices 3 and 4 does not equal the total group general fund analysis presented in Appendix 2.

Appendix 4: BPEX - General fund

	For the year ended 31-Mar-07	For the year ended 31-Mar-06		
		Discontinued activities	Continuing activities	Total
	£'000	£'000	£'000	£'000
Income				
Gross levy	2,915	-	2,909	2,909
Expenses of collection	(49)	-	(49)	(49)
Net levy before transfers to QMS/HCC	2,866	-	2,860	2,860
Net levy transfer to QMS (Note 18)	-	-	-	-
Net levy transfer to HCC (Note 18)	-	-	-	-
Net levy transfers from HCC	10	-	10	10
Net levy after transfers (to)/from QMS/HCC	2,876	-	2,870	2,870
Fee income				
Marketing	-	-	38	38
Export marketing	-	-	14	14
Industry development	433	-	627	627
Commercial services	-	-	-	-
Science and technology transfer	532	-	456	456
Other income	388	-	196	196
External devolved body "buy-back"	-	-	-	-
	1,353	-	1,331	1,331
Total net income	4,229	-	4,201	4,201
Operating expenditure				
Marketing	-	-	-	-
Export marketing	-	-	-	-
Industry development	(1,038)	-	(1,024)	(1,024)
Commercial services	-	-	-	-
Research	(1,427)	-	(816)	(816)
Science and technology transfer	(1,880)	-	(1,407)	(1,407)
Industry communications and species management	(939)	-	(267)	(267)
Other expenditure	-	-	-	-
Current pension service cost (Note 5(4))	-	-	-	-
Pension curtailment gain (Note 5(4))	-	-	-	-
Total operating expenditure	(5,284)	-	(3,514)	(3,514)
(Deficit)/surplus for the financial year	(1,055)	-	687	687

The above analysis details BPEX's direct share of general fund operating expenditure. Please note that the total of the analyses detailed in Appendices 3 and 4 does not equal the total group general fund analysis presented in Appendix 2.

Appendix 5: MLC group - Combined promotion funds

	For the year ended 31-Mar-07	For the year ended 31-Mar-06
	£'000	£'000
Income		
Gross levy	15,518	15,278
Expenses of collection	(277)	(293)
Net levy before transfers to QMS/HCC	15,241	14,985
Net levy transfer to QMS (Note 18)	(2,248)	(2,220)
Net levy transfer to HCC (Note 18)	(1,772)	(2,006)
Net levy transfers from HCC	17	16
Net levy after transfers to QMS/HCC	11,238	10,775
Fee income	25	302
Total net income	11,263	11,077
Operating expenditure		
Consumer advertising and promotion	(5,355)	(6,380)
Trade development and promotion	(3,344)	(3,489)
Food service	(997)	(1,048)
Consumer research	(586)	(346)
European Quality Beef	-	(593)
Export trade development	(798)	(599)
Supply chain	(804)	(648)
Special projects	(280)	-
Total operating expenditure	(12,164)	(13,103)
Operating deficit on ordinary activities before interest	(901)	(2,026)
Interest allocation (Note 6)	227	219
Deficit on ordinary activities before taxation	(674)	(1,807)
Taxation (Note 7)	-	-
Deficit for the year on ordinary activities after taxation	(674)	(1,807)
Reserves distribution to QMS (Note 14)	-	(480)
Deficit for the financial year (Note 14)	(674)	(2,287)

Appendix 6: EBLEX - Beef promotion fund

	For the year ended 31-Mar-07	For the year ended 31-Mar-06
	£'000	£'000
Income		
Gross levy	3,632	3,132
Expenses of collection	(46)	(41)
Net levy before transfers to QMS/HCC	3,586	3,091
Net levy transfer to QMS (Note 18)	-	-
Net levy transfer to HCC (Note 18)	-	-
Net levy after transfers to QMS/HCC	3,586	3,091
Fee income	-	285
Total net income	3,586	3,376
Operating expenditure		
Consumer advertising and promotion	(1,860)	(2,072)
Trade development and promotion	(958)	(1,121)
Food service	(333)	(270)
Consumer research	(185)	(40)
European Quality Beef	-	(593)
Export trade development	(371)	(73)
Special projects	(154)	-
Total operating expenditure	(3,861)	(4,169)
Operating deficit on ordinary activities before interest	(275)	(793)
Interest allocation (Note 6)	52	63
Deficit on ordinary activities before taxation	(223)	(730)
Taxation (Note 7)	-	-
Deficit for the year on ordinary activities after taxation	(223)	(730)
Reserves distribution to QMS (Note 14)	-	(480)
Deficit for the financial year (Note 14)	(223)	(1,210)

Appendix 7: EBLEX - Lamb promotion fund

	For the year ended 31-Mar-07	For the year ended 31-Mar-06
	£'000	£'000
Income		
Gross levy	3,074	3,123
Expenses of collection	(74)	(85)
Net levy before transfers to QMS/HCC	3,000	3,038
Net levy transfer to QMS (Note 18)	-	-
Net levy transfer to HCC (Note 18)	-	-
Net levy after transfers to QMS/HCC	3,000	3,038
Fee income	-	-
Total net income	3,000	3,038
Operating expenditure		
Consumer advertising and promotion	(1,907)	(2,332)
Trade development and promotion	(984)	(1,100)
Food service	(294)	(339)
Consumer research	(185)	(45)
Export trade development	(427)	(526)
Special projects	(126)	-
Total operating expenditure	(3,923)	(4,342)
Operating deficit on ordinary activities before interest	(923)	(1,304)
Interest allocation (Note 6)	48	62
Deficit on ordinary activities before taxation	(875)	(1,242)
Taxation (Note 7)	-	-
Deficit for the year on ordinary activities after taxation	(875)	(1,242)
Reserves distribution to QMS (Note 14)	-	-
Deficit for the financial year (Note 14)	(875)	(1,242)

Appendix 8: BPEX - Pork and bacon promotion fund

	For the year ended 31-Mar-07	For the year ended 31-Mar-06
	£'000	£'000
Income		
Gross levy	4,715	4,710
Expenses of collection	(80)	(80)
Net levy before transfers to QMS/HCC	4,635	4,630
Net levy transfer to QMS (Note 18)	-	-
Net levy transfer to HCC (Note 18)	-	-
Net levy transfers from HCC	17	16
Net levy after transfers to QMS/HCC	4,652	4,646
Fee income	25	17
Total net income	4,677	4,663
Operating expenditure		
Consumer advertising and promotion	(1,588)	(1,976)
Trade development and promotion	(1,402)	(1,268)
Food service	(370)	(439)
Consumer research	(216)	(261)
Supply chain	(804)	(648)
Total operating expenditure	(4,380)	(4,592)
Operating surplus on ordinary activities before interest	297	71
Interest allocation (Note 6)	127	94
Surplus for the year before taxation	424	165
Taxation (Note 7)	-	-
Surplus for the year on ordinary activities after taxation	424	165
Reserves distribution to QMS (Note 14)	-	-
Surplus for the financial year (Note 14)	424	165



Board of Commissioners

As at 31 March 2007

The Board of Commissioners oversees MLC's statutory responsibilities and the effective corporate governance of MLC. It also seeks to avoid duplication and helps identify cross-cutting issues for the four MLC federal bodies.

At the request of Ministers, in March 2007 the entire Board of Commissioners agreed to have their appointments extended for a further 12 months to 31 March 2008 by which time the Government's proposed restructuring of UK levy boards should have been completed.

Peter Barr CBE

Chairman - since April 2001

Mr Paul Kirk

Deputy Chairman – an MLC Commissioner since October 1999

Helen Browning OBE

Independent farming and processing sectors and organic sector representative – an MLC Commissioner since October 1999

Richard Cracknell

GB abattoir/processor representative - an MLC Commissioner since October 2002

John Cross

Chairman of the English Beef and Lamb Executive - an MLC Commissioner since October 2002

Dr Kevin Hawkins OBE

Multiple retailer and food service sector representative - an MLC Commissioner since October 2002

Stewart Houston

Chairman of the British Pig Executive - an MLC Commissioner since October 2002

Professor Richard Moody

Consumers Commissioner - an MLC Commissioner since October 1998

Rees Roberts OBE

Welsh Commissioner and Chairman of Hybu Cig Cymru - an MLC Commissioner since October 1999

Neil Stoddart

GB abattoir/processor representative - an MLC Commissioner since October 2002

Donald Biggar

Scottish Commissioner and Chairman of Quality Meat Scotland - an MLC Commissioner since April 2006

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 2007

Consumers Committee

The Consumers Committee ensures 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

Regular attendees from MLC:

Richard Lowe, Chief Executive Officer

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

Regular attendees from MLC:

Richard Lowe, Chief Executive

Shaun Tillery, Financial Controller

Bernadette Garvey, Company Secretary

Representative from MLC's appointed auditors

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
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: peter.hardwick@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

Glossary of abbreviations

BCMT	Business Continuity Management Team	QSM	Quality Standard Mark
BCP	Business Continuity Plan	R&D	Research and Development
BMES	British Meat Education Service	RDA	Regional Development Agency
BMNES	British Meat Nutrition Education Service	RMIF	Red Meat Industry Forum
BMPA	British Meat Processors Association	RMT	Risk Management Team
BPEX	British Pig Executive	ROI	Return on Investment
BPHS	British Pig Health Scheme	RPA	Rural Payments Agency
BRP	Better Returns Programme	SI	Standing Instructions
BSE	Bovine Spongiform Encephalopathy	TB	Tuberculosis
CBE	Commander of the Most Excellent Order of the British Empire	TI	Technology Interaction
Defra	Department for Environment, Food and Rural Affairs	TSE	Transmissible Spongiform Encephalopathy
EBLEX	English Beef and Lamb Executive	UK	United Kingdom
EBV	Estimated Breeding Value	UKAS	United Kingdom Accreditation Service
EFSIS	European Food Safety Inspection Services	VIA	Video Image Analysis
EU	European Union	WAG	Welsh Assembly Government
FACE	Farming and Countryside Education	WBS	Wild Bird Surveillance
FMD	Foot and Mouth Disease	WCC	Winterhill Conference Centre
FSA	Food Standards Agency	WCRF	World Cancer Research Fund
GMP	Guaranteed Minimum Pension	WDA	Welsh Development Agency
GB	Great Britain	ZAP	Zoonosis Action Plan
GP	General Practitioner		
HACCP	Hazard Analysis and Critical Control Point		
HCC	Hybu Cig Cymru (Meat Promotion Wales)		
IC	Industry Consulting		
IMS	International Meat Secretariat		
IPPC	Integrated Pollution Prevention and Control		
ISBA	Incorporated Society of Broadcast Advertising		
IT	Information Technology		
KTR&D	Knowledge Transfer, Research and Development		
LMC(NI)	Livestock and Meat Commission (Northern Ireland)		
MBE	Member of the Most Excellent Order of the British Empire		
MHS	Meat Hygiene Service		
MLC	Meat and Livestock Commission		
MLCSL	Meat and Livestock Commercial Services Limited		
MP	Member of Parliament		
MSFM	Management Statement Financial Memorandum		
NADIS	National Animal Disease Information Service		
NAO	National Audit Office		
NDPB	Non-Departmental Public Body		
NFU	National Farmers' Union		
NGO	Non-governmental Organisation		
NHS	National Health Service		
NPA	National Pig Association		
OBE	Officer of the Most Excellent Order of the British Empire		
OFCOM	Office of Communication		
OTM	Over Thirty Month		
PC	Personal Computer		
PIDS	Pig Industry Development Scheme		
PGI	Protected Geographical Indication		
PIES	Pig Industry Environment Strategy		
PWC	PricewaterhouseCoopers LLP		
QMS	Quality Meat Scotland		

Printed in the UK for The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office

This report is printed on Take 2 Offset which is made from 100% recycled
fibres sourced only from post-consumer waste and is fully recyclable

ID 5596858 07/07 19585



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

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

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

Online

www.tsoshop.co.uk

Mail, Telephone, Fax & E-mail

TSO
POBox 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
Email bookorders@tso.co.uk
Textphone 0870 240 3701

TSO Shops

123 Kingsway, London WC2B 6PQ
020 7242 6393 Fax 020 7242 6394
16 Arthur Street, Belfast BT1 4GD
028 9023 8451 Fax 028 9023 5401
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
Email bookshop@parliament.uk
Internet bookshop.parliament.uk

TSO@Blackwell and other Accredited Agents

ISBN 978 0 10 294572 0