



05

Annual Report | 2005





# Volume I

## Meat and Livestock Commission

### Annual Report and Accounts 2005

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**Volume I** – Meat and Livestock Commission Annual Report and Accounts 2005

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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). It is funded through the collection of levies on sheep, pigs and cattle slaughtered for human consumption. This is supplemented by EU and Government grants and from money earned from its own commercial operations.

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

#### **British Pig Executive (BPEX)**

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

#### **English Beef and Lamb Executive (EBLEX)**

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

#### **Hybu Cig Cymru/Meat Promotion Wales (HCC)**

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

#### **Quality Meat Scotland (QMS)**

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



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Thirty-eighth 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 2005.

**Auditors:** National Audit Office, 157–197 Buckingham Palace Road,  
London SW1W 9SP

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## MLC Chairman's foreword

I thank MLC staff and my fellow Commissioners for their commitment, support and hard work throughout another very busy year.



Peter Barr, CBE  
Chairman, MLC

2004/05 was dominated by the announcement of CAP reform implementation details, uncertainty over the ending of the over thirty month (OTM) rule, import pressures in the pig sector and implementation of aspects of the Government's Health White Paper.

Our consumer tracking work continued to show that red meat's image was significantly higher across a range of attributes than it was in the early 1990s. Consumption of red meat – beef, lamb, pork and bacon – rose once again, to 2.7m tonnes in 2004, and was at its highest level for two decades.

While market demand continued to show stable growth, this was met by increased imports. In the case of pig meat, research indicated that two-thirds of imports were produced to welfare standards that would be illegal in the UK. For this reason we support the BPEX stance of calling for clear labelling of all meat in Britain and would also like to see caterers adopting our Best Practice Guidelines by showing the origin of their meat on all their menus. This is all the more important since global competition will only intensify with greater trade liberalisation coming out of World Trade Organisation (WTO) negotiations.

On the issue of beef from cattle aged over thirty months being allowed back into the human food chain, we are looking forward to a swift resolution that will allow more British beef onto home and foreign markets. EU beef production is forecast to continue to contract slightly and demand for manufacturing beef should remain keen. This will help us to re-introduce our over thirty month beef to the market without too much disruption.

The health and obesity debate became a significant issue during 2004 and will help shape consumer attitudes to meat in the future. We contributed to the health of the nation through our support and actions on issues such as reducing salt content and clear labelling. We will continue to work in

partnership with others in the meat and food industry on these and other issues in the future. Fresh red meat has a very positive nutritional story to tell, especially with regard to the low fat and salt content of muscle meat and its bundle of valuable micro-nutrients, so it is important that meat and processed meat products are addressed separately in this debate. MLC is determined that the industry is seen to be responsible and will vigorously defend it against any unfair criticism of its products' healthiness.

A fundamental review of all levy bodies was announced during March 2005. We believe the British red meat industry still requires help and support from an organisation such as the federal MLC. We continue to be an important catalyst for change within the industry and have a well-deserved reputation for effective delivery, professionalism and unrivalled expertise in red meat. We are confident that the benefits and value of our work will stand up to scrutiny and we have welcomed the opportunity that this review presents to revisit, and possibly update, the 38-year-old legislation that defines our statutory functions.

At MLC we are passionately committed to a modernised British livestock farming and processing sector that is competitive, sustainable and environmentally responsible. Our industry will never be a lowest-cost producer. The challenge we face is to close the gap – at one end through greater technical and financial efficiencies and at the other end through enhanced product quality and differentiation (such as through the Quality Assurance Schemes for beef, lamb and pig meat).

Federal MLC policy and work streams are all designed to help achieve this.

**Peter Barr, CBE**  
**Chairman**  
**Meat and Livestock Commission**



Fresh red meat has a very positive nutritional story to tell, especially with regard to the low fat and salt content of muscle meat and its bundle of valuable micro-nutrients.

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# MLC Board of Commissioners

As at 31 March 2005

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

**Peter Barr CBE**  
**Chairman**

Re-appointed Chairman in April 2004 for a term of three years.

**Mr Paul Kirk**  
**Deputy Chairman**

Re-appointed in October 2002 for a term of three years.

**Helen Browning OBE**  
**Independent farming and processing sectors  
and organic sector representative**

Re-appointed in October 2002 for a term of three years.

**Richard Cracknell**  
**GB abattoir/processor representative**

Appointed in October 2002 for a term of three years.

**John Cross**  
**Chairman of English Beef and Lamb  
Executive (EBLEX)**

Appointed in October 2002 for the tenure of his chairmanship of EBLEX or for a term of three years.

**Dr Kevin Hawkins OBE**  
**Multiple retailer and food service sector  
representative**

Appointed in October 2002 for a term of three years.

**Stewart Houston**  
**Chairman of the British Pig Executive (BPEX)**

Appointed in October 2002 for the tenure of his chairmanship of BPEX or for a term of three years.

**Professor Richard Moody**  
**Consumers Commissioner**

Re-appointed in October 2002 for a term of three years.

**Rees Roberts OBE**  
**Welsh Commissioner and Chairman of Hybu Cig  
Cymru (HCC)**

Re-appointed in October 2002 for a term of three years.

**Neil Stoddart**  
**GB abattoir/processor representative**

Appointed in October 2002 for a term of three years.

**Jim Walker CBE**  
**Scottish Commissioner and Chairman of Quality  
Meat Scotland (QMS)**

Appointed in April 2004 for a term of three years.

**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](http://www.mlc.org.uk)

# Statutory committees

As at 31 March 2005

## Consumers Committee

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

**Professor Richard Moody** (Chairman),  
MLC Consumers Commissioner

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

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

**Catherine Reynolds**, Head of Communications, Institute  
of Food Research

**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

Kevin Roberts, Director General

Richard Lowe, Consumer Affairs Director

Bernadette Garvey, Company Secretary

Jenny Spencer, Industry Services and Consumer  
Issues Manager

### Biographies

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

## Audit Committee

**Paul Kirk** (Chairman), MLC Commissioner

**Richard Cracknell**, MLC Commissioner

**John Cross**, MLC Commissioner

**Helen Browning OBE**, MLC Commissioner

### Regular attendees from MLC

Kevin Roberts, Director General

Shaun Tillery, Financial Controller

Bernadette Garvey, Company Secretary

Representative from MLC's appointed auditors



# MLC Director General's report



Kevin Roberts  
Director General, MLC

The British red meat sector is highly fragmented in structure. In delivering our statutory functions we help the market to operate. Huge competitive challenges face the British pig industry if it is to break out of its downward trend and massive change faces the beef and sheep sectors as a result of CAP reform. Without our work, markets would continue to function imperfectly to the industry's disadvantage.

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

## Our financial performance

The consolidated income and expenditure account for the year ended 31 March 2005 and consolidated balance sheet as at the same date are set out on pages 54 and 55. MLC generated a retained surplus of £236k for the financial year which compared to a surplus of £3.5m for the year before. The reported surplus for the year was affected by a £2.2m positive FRS 17 pension fund movement. MLC's pre-FRS 17 financial operating position was a deficit of £2.0m, principally generated by the launch of EBLEX's new branding proposition for quality beef and lamb, as explained in the EBLEX Chairman's report on page 26. In this respect, total

expenditure for the year at £46.6m was £3.4m higher than the year before (£43.2m) predominantly due to an increase in combined promotion fund expenditure of £5.9m (see Notes 6 to 8 to the Accounts on pages 67 to 69), partially offset by a £2.3m decrease in general fund expenditure (see Note 5 on page 63). Total operating income of £42.7m was £1.3m lower than in 2003/04 (£44.0m) predominantly due to a £0.9m decrease in lamb promotion fund fee income (see Note 7 on page 68). The surplus for the year has been added to accumulated funds.

## Cash management

MLC's long-term financial policy is based on the maintenance of cash neutrality. Moreover, during the year to 31 March 2005 the operating deficit referred to above and other factors resulted in a £1.5m decrease in consolidated cash holdings and short-term investments to £10.3m (£11.8m at 31 March 2004).

The Defra fund on deposit is held outside MLC's own cash resources and was set up to underwrite potential future redundancy costs. The fund increased by £131k during the year, due to an excess of interest received on the cash deposited over claims settled.

## Our federal structure

In response to political devolution of agricultural policy MLC operates as a federal structure. During the financial year 2004/05 we saw the federal MLC move up a gear in delivering its strategies as it became more settled in its structure.

Strategy development is devolved to our four federal bodies – BPEX, EBLEX, HCC and QMS – each of which has a board made up of industry representatives.

Levy collected in each geographical/species area is allocated to each respective federal body to implement their strategy. For the year ended 31 March 2005 MLC generated gross levy income of £26.2m, of which

- £3.9m was transferred to QMS
- £3.4m was transferred to HCC
- £11.4m was allocated to EBLEX and
- £7.5m was allocated to BPEX.

In addition we generated around £7m of additional funding from government and EU grants and other sources. This was largely joint funding for specific federal MLC R&D and industry communications projects.

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

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

During the year, the MLC Export Council was disbanded with the agreement of the MLC federal bodies and the Chairman of the Export Council, after a consultation with exporters. It was felt that it was no longer an appropriate body for MLC's current structure in view of the devolution of decision-making on export funding and strategy.

## Our commercial services

Unique within the Defra family of agri-based NDPB's, MLC has a mature and profitable commercial services operation. This has grown up providing independent advice, logistics and inspection services to government agencies and individual businesses in the meat and livestock industry on a commercial basis. It is managed separately within the MLC group. All costs are fully accounted for within the division and all net profits are used to supplement MLC levy income. Approximately 42% of MLC back-office costs are currently defrayed by the commercial activities and over the last nine years MLC commercial operations have contributed pre-tax profits of nearly £10m.

## Our work

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



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

Our annual three-year corporate plan details the objectives, strategies and targets of the federal MLC, all linked into the MLC risk management process (note: QMS publishes its own, separate corporate plan). The 2005–08 Corporate Plan is published on our website, [www.mlc.org.uk](http://www.mlc.org.uk).

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

- **CAP reform.** From 1 January 2005 decoupling was introduced, which effectively broke the link between support and production for UK sheep and cattle producers. As the details of CAP reform implementation and the introduction of the Single Payment Scheme were gradually settled, MLC provided information and analysis on the implications for the livestock industry through briefings and presentations to levy payers.
- **Over thirty month (OTM) rule.** In December 2004 the Government announced the start of a managed transition towards replacement of the OTM rule with BSE testing, subject to independent advice that a robust testing system was in place. This is very significant for the British beef sector and could see an additional 185,000 tonnes of beef (27% increase) enter the human food chain during 2006. MLC work in this area included:
  - Expert analysis of the market impact of a rule change to help government and industry plan ahead and assess the potential need for market support measures.
  - A technical assessment to Defra of the implications of removing vertebral column from carcasses of animals over 12 months old, as required by existing EU law.
  - Technical work for the Food Standards Agency (FSA) on beef carcass anatomy and butchery practices designed to reduce the likelihood of dorsal root ganglia entering the human food chain.
  - Involvement in trialling the hide controls associated with an OTM rule change.
  - Setting out the case to both the UK Government and the European Commission for a three-year successor OTM Scheme in order to maintain a stable beef cattle breeding herd into the future, since animals born before August 1996 will not be allowed into the food chain even after an OTM rule change.
  - Participation in the British Cattle Movement Service (BCMS) Bovine Industry Group to help resolve a wide range of cattle identification issues and, in particular, ways to ensure effective and interactive operation of the various cattle ID and BSE controls databases in preparation for the Food and Veterinary Office (FVO) inspection in June 2005.
  - Participation in the Defra OTM Stakeholder Group, which discusses progress in proposed changes to the OTM rule and the issues that bear upon the industry.
  - Involvement, in the UK and Europe, in discussions to achieve an ending of the Date-Based Export Scheme (DBES), which restricts UK beef exports.
- **Health and nutrition.** This became a big consumer issue during the period, with extensive media coverage of issues relating to obesity, diet and health. The Government published 'Choosing Health', its White Paper on public health, on 16 November. The delivery of its nutrition and health-related commitments is being taken forward through 'Choosing a Better Diet: a food and health action plan', published on 9 March 2005.

- MLC continued with its professional information programmes on nutrition and healthy eating aimed at health and education sector professionals and journalists. This work was delivered both centrally and individually to meet the separate government nutritional strategies in England, Wales and Scotland.
- **FSA salt awareness campaign.** The FSA salt awareness campaign was launched on 14 September 2004. The press and advertising campaigns focused on high levels of salt consumption in the population and its link to high blood pressure, heart disease and stroke.
  - A joint sodium working party with the British Meat Processors' Association (BMPA), Food and Drink Federation (FDF) and MLC helped draw up an initial two-year action plan for sodium reduction in 1600 meat products. A guidance document for BMPA member companies was also produced.
  - MLC advised on the scientific integrity of FSA media briefing fact sheets.
- **Origin of meat on menus.** After two years' work, the campaign for menu transparency is beginning to deliver positive results, but there is still reluctance to embrace the principles of fuller origin labelling by some of the big branded chains.
  - Quarterly surveys undertaken by MORI consistently showed in excess of 60% of consumers wishing to know the origin of meat served on menus when eating outside the home.
  - Independently owned pubs, hotels and restaurants were the first to recognise that provenance and an honest approach to labelling can be a valuable addition to their marketing programme.
  - The main branded chains have demonstrated the greatest resistance and this has only slowly started to change during the year. However, many are now undertaking consumer research of their own to establish their customers' desire for origin information.
  - The announcement by the Scottish Executive that it intends to regulate with regard to labelling beef origin on menus prompted the lead industry body, the British Hospitality Association (BHA), to advocate a voluntary code of practice as a preferable alternative.

- **Public Sector Food Procurement Initiative (PSFPI).** The PSFPI is designed to encourage public

sector bodies to procure their food in a manner that promotes sustainable development and encourages more small and local businesses to compete to supply them with food.

MLC has been actively involved in a number of Defra and industry-led initiatives to help deliver the PSFPI. These included:

- Contributing to the development by the Food Procurement Implementation Group of a catering toolkit, planned for publication later in 2005.
- Supporting steering groups established to take forward aspects of PSFPI.
- Providing one-to-one advice to each of the main public bodies (MoD, NHS, HM Prisons and Local Authorities) on how and where to source red meat, mainly in the form of mince and dice, to UK farm assured standards as denoted by our Quality Standard Marks.

## Our partnership working

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

- The Applied Research Forum for Farming and Food, chaired by MLC Chairman Peter Barr, made significant progress in improving collaboration on research and knowledge transfer across government and between the UK agricultural and horticultural levy bodies, particularly in the areas of human nutrition and research management. The Forum also participated in Defra's Independent Sustainable Farming and Food Research Priorities Group (RPG), where it helped to shape advice to government on where to focus its strategic research effort.

## Our communications

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

- The annual civil service seminar in October 2004 briefed more than 45 officials from Defra, FSA and DTI on the strategic priorities of the MLC federal bodies, and the activities of the MLC Executive and RMIF in addressing the industry's key needs.
- The annual MLC Chairman's reception in Brussels in June was attended by almost 100 EU officials, Foreign Embassy personnel and representatives of international professional bodies and European trade organisations. It was an excellent opportunity for the federal MLC and representatives of the National Farmers' Union (NFU) to network with policy and legislation makers and discuss key issues affecting the British meat and livestock sector.
- For industry planners, the 2005 Outlook conference was held in London in January. 170 international and domestic industry operators and observers explored the implications of the globalisation of the meat trade and the attendant threats and opportunities for the British industry. In well-established break-out sessions, our experts set out the outlook for the British cattle, sheep and pig sectors in the coming year.
- The MLC Chairman's annual Westminster barbecue was held in Westminster Abbey Gardens on 13 July 2004. It provided the MLC Board of Commissioners, EBLEX, BPEX, HCC, RMIF and industry guests with an opportunity to meet and discuss industry issues in a relaxed atmosphere with a strong ministerial attendance led by Secretary of State Margaret Beckett, MPs, Lords and senior civil servants and the press.
- MLC also launched a redesigned website in February ([www.mlc.org.uk](http://www.mlc.org.uk)) designed to be a portal into the four federal body sites and also into the British Meat Education, Nutrition, Foodservice, Meatmatters and the various MLC commercial services sites. It is clean and simple in design and has a search facility that operates across all our sub sites.



## Red Meat Industry Forum (RMIF)

MLC is the lead partner in the RMIF, with Defra, NFU and IGD, and administers its grant-funding from Defra.

This partnership, set up in 2001, is focussed specifically on improving performance and profitability of red meat supply chains. It is chaired by Peter Barr, MLC Chairman, and during the reporting period it completed its third year of operation.

- At farm level the focus was on Farm Business Improvement Clubs. At the end of the reporting period there were 28 operating across the three red meat species, and a further 33 in development. The Clubs had an average of ten members each. Systems were also set up with allied industries to promote and develop additional Business Clubs within their client base. The supporting benchmarking activity grew steadily to 1,200 datasets on the RMIF system and it was made possible for producers using commercial farm-performance databases automatically to register their data with RMIF.
- Post farm gate supply chain activity saw the completion of the programme of three DTI-funded business improvement projects. The programme not only demonstrated that the techniques worked, but also



yielded a huge amount of data on the benefits gained. In addition the work indicated where further industry-wide opportunities exist to raise the competitiveness of supply chains.

- Looking ahead, RMIF will continue to develop its Farm Business Improvement Club network and will add value to the Clubs through organising farm visits and other activities to introduce best practice. Post farm gate, the new approach will be to seek bespoke solutions to each business situation.

## Challenges ahead

Increasing globalisation, the expectation of further trade liberalisation through the WTO, strong world demand for red meat, together with CAP reform in the EU, pose challenges to the competitiveness of the British meat and livestock industry. MLC has identified this as a strategic issue that it needs to help the industry respond to and, ideally, turn into market opportunities.

Closer to home, Defra has put into effect a fundamental review of British levy bodies, which may impact on us in any number of ways.

At MLC we understand managing change, both for the industry and for ourselves. Change can be very unsettling and I am very pleased and proud of the professional way in which colleagues have approached and adjusted to the challenges during the past year, while continuing to focus on delivering a quality service.

**Kevin Roberts**  
**Director General**  
**Meat and Livestock Commission**

# Consumers Committee Chairman's report



Professor Richard Moody  
Chairman, MLC  
Consumers Committee

The Consumers Committee is a statutory committee set up under the 1967 Agriculture Act with a remit to ensure that the views of consumers are represented in the work of the MLC.

MLC deals with many powerful and compelling economic and technical issues in meat production, and the prioritisation of consumer need is now well established.

As Chair of this Committee, and as an independent MLC Commissioner, my responsibility is to ensure there is an active communication channel between the Committee and the Board of Commissioners and that the two-way dialogue supports consumer interests in the promotion of the British red meat industry.

Members of the Committee are chosen through open competition by Ministers and provide specialist expertise focused on consumer priorities in the production, retailing and understanding of red meat as part of a balanced diet. Observers are also invited to the Committee to extend the range of expertise that is needed from the increasingly complex food chain that brings red meat to the table. This range was further extended in 2004 with the appointment of an observer who brings significant expertise of nutrition in the retailing sector.

## The work of the Committee

MLC staff attend Consumers Committee meetings to ensure an informed dialogue is maintained. These staff are also members of the Consumer Issues Forum, which meets to debate which areas of work undertaken by MLC and its federal bodies should be scrutinised by the Consumers Committee. Other Commissioners and representatives from MLC's federal bodies are invited to the Consumers Committee as necessary to ensure that consumer interests are examined from all angles. The range of topics discussed, whether originating with the Board of Commissioners or in the Committee, illustrates the Committee's role and importance to the effective functioning of the MLC.

Much of the work of the Consumers Committee is involved in reviewing draft reports and activity plans and challenging them from a consumer perspective.

The twelve months to 31 March 2005 were notable for the publication of several government consultations in the area of diet, health and nutrition, including one from the Department of Health which led to the publication in November 2004 of the 'Choosing Health' White Paper, and another from the FSA on Nutrient Profiling. The Consumers Committee played a central role in examining the implications of the proposals and in the development of the MLC's official responses to the consultations.

The Consumers Committee received and evaluated the findings of a research study that it had commissioned, involving conjoint analysis of a range of attributes (for example origin, price, quality mark) that might influence the consumers' selection at the point of purchase of one pack of meat over another. The particular impact of Assurance and Quality Marks formed an important component of this study.

Other issues debated were the menu transparency initiative in foodservice outlets, which addresses the concerns of consumers on meat origin, and the implications for consumers of the OTM rule exit.

The Committee also made an off-site visit to the Institute of Food Research, where it discussed a wide range of research issues of relevance to the meat industry, including methods of determining the geographical origin of foods, food-borne pathogens, iron research and the practical applications of research.

## Looking ahead

The current debate on diet, health and nutrition is likely to continue to be a significant focus for the Consumers Committee for the foreseeable future. The Committee will continue to ensure that the consumer's viewpoint is taken into account in the MLC's communications to Government on its proposed action plans, and that the expertise of its members is used to support consumer interests in the promotion of the British red meat industry.

The Consumers Committee will also work to develop further its interface with the MLC federal bodies and to provide them with support in their communications with consumers. The Consumers Committee is a vital source of expertise for all of the British red meat industry and its relations with the ultimate customer – the consumer.

**Professor Richard Moody**  
Chairman  
MLC Consumers Committee



The current debate on diet, health and nutrition is likely to continue to be a significant focus for the Consumers Committee for the foreseeable future.





# BPEX Chairman's report

Confidence to invest in the future of pig production and processing in Britain continued to be fragile throughout the year.



Stewart Houston  
Chairman, BPEX

By the middle of 2004, the British pig industry felt it had finally begun to turn round after six years of more or less continuous contraction. However the December 2004 sample census indicated that the national pig breeding herd may have continued to fall to 478,000 head.

Pleasingly the average producer price for 2004, at 104p/kg dead weight (dw) (which was considerably higher than in the five-year period 1998–2002), held firm for most of the year and delivered a 12p/kg dw differential over the EU-15 average price – in part due to our marketing efforts to differentiate quality pig meat from Britain on welfare standards.

However, the British industry remained under pressure from high feed costs and low sow productivity rates compared with our main EU competitors. British consumer demand for pig meat remained strong and, although this continued to suck in large quantities of cheaper imports, it still provided a stable background for the industry to press on with its drive to improve herd health and production efficiency.

## Our mission

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

## The Board

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

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

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

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

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

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

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

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

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

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

**Matt Simister** (British Retail Consortium)  
Category Director, Tesco Stores Limited.  
**Note:** Matt Simister resigned in April 2005 and was replaced by **Sean McCurley**, the new Tesco Category Director.

**Robin Traquair** (National Farmers' Union Scotland)  
Farms in partnership with his parents producing 5,000 bacon pigs a year. He is a member of the Scottish Association of Young Farmers and a member of the NFUS Intensive Livestock Committee.

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

## Our strategic objectives

To improve cost competitiveness throughout the supply chain

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

To build alliances to develop the British market

## Our action plan

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

During the reporting period we had agreements with HCC and QMS for us to implement the Road to Recovery action plan in Wales and Scotland. A copy of the full document is available on our website, [www.bpex.org.uk](http://www.bpex.org.uk).

## Delivering our strategic objectives

### Improve cost competitiveness throughout the supply chain

Research and development has a vital role to play in supporting the delivery of the Road to Recovery strategy. During the year this work continued to focus on improving competitiveness by examining ways of increasing production efficiency and reducing cost of production while addressing pig meat quality, food safety, animal welfare and environmental issues. Co-funding of BPEX-initiated research was £2.96 for every £1 of pig levy.

Reflecting the BPEX Board's view that effective knowledge transfer is vital in helping it to achieve its mission, greater emphasis and resource was placed on the delivery and uptake of new knowledge.

Research into reducing the cost of production included the £1.8m Finishing Systems Research project, jointly funded by Defra, which concluded during the year. It yielded valuable information and knowledge that demonstrated how producers could reduce the cost of production by more than 13p/kg dead weight by improving pig performance and feed efficiency, while at the same time maintaining pig health and welfare and also reducing *Salmonella* carriage at slaughter. The communication of this information to producers was started through a coordinated knowledge transfer

programme and MLC assesses the uptake is already at 15–20% of the industry.

Our major £3.4m multidisciplinary research programme into weaner nutrition continued. The work, involving government and industry partners, will provide valuable information on managing pig production in the absence of antibiotic growth promoters, which are banned from 2006. The programme has high relevance to cost competitiveness, pig health and welfare, environmental impact and sustainable use of home-grown feeds.

Pig Post-weaning Multi-systemic Wasting Syndrome (PMWS) remained a challenge to productivity for infected herds. It is a disease of pigs, causing mortality of up to 25% and is estimated to have cost the British pig industry at least £30m per year since 1999. BPEX, through MLC, has done a lot to coordinate information and research activity to help the British industry manage the effects of the disease and is now a partner responsible for information dissemination in a 6m euro EU Framework 6 project on PMWS.

The Supply Chain Grant Scheme has proved to be successful in helping encourage the development of more integrated supply chains. A total of 15 projects received grant aid during the year.

Three in-depth and comprehensive category reports covering pork pies, ham and sausages were produced and circulated widely throughout the industry. This helped all participants in pork and pork products' supply chains to understand their markets more fully.

We also continued to work closely with the Red Meat Industry Forum to deliver benchmarking at farm level and business improvement techniques in the processing sector.

The Pig Health and Welfare Strategy, which supports the Animal Health and Welfare Strategy for Great Britain, was launched by BPEX in order to help the industry improve

overall pig herd health, industry competitiveness and pig welfare. This will form a central strand of our work to deliver a more sustainable pig industry as we move forward.

Poor pig health is costing the British industry about £5 per pig. A pilot abattoir monitoring scheme was started during the reporting period to enable more rapid identification and treatment of a range of common complaints. The scheme has backing from Defra and large firms in the pig industry. It monitors Enzootic Pneumonia (EP), Pleurisy, Pericarditis, Peritonitis, Milk Spot Liver, Hepatic Scarring, Tail Biting, Papular Dermatitis, Viral Pneumonia, APP, Lung Abscesses and Pyaemia. Results of abattoir testing will be communicated back to the producer and his or her veterinary advisor within 48 hours so rapid and appropriate action can be taken where necessary.

National and international contacts were developed in order to identify and disseminate best practice from other pig industries. An example was using the Institute of Pig Genetics in the Netherlands to help develop a protocol for Artificial Insemination, which will aid competitiveness in our own industry. A comprehensive database was developed to ensure that best practice can be transferred efficiently into the industry.

One of the specific actions in the Road to Recovery is to help the industry adopt more efficient pig grading and pricing methods. During the year the Autofom grading system became fully operational in a leading British processor. The development of a new pricing system was also initiated to link in with this new technology. A further two Autofom machines are expected to be installed in the UK during the next year.

Risk management is another area where we are looking to help the industry improve. A project undertaken with the Home Grown Cereals Authority aimed to make the pig industry more aware of risk management techniques relating to feed costs. BPEX also worked closely with the NPA to encourage government to reduce the risk of importing disease.

BPEX also worked closely with NPA, NFU and BMPA to monitor, assess and respond to emerging legislation to ensure that new or amended regulations were in the interest of the consumer but did not unduly compromise the competitive position of the British pig sector. As part of this, BPEX and MLC responded to more than 50 government consultations during the year.

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

BPEX played a central role in defending unjustified attacks against pig meat and pig production methods in the British media. It also prepared and disseminated twelve industry briefings and BPEX position statements to inform and assist the British industry to manage actual and potentially contentious issues from food safety to pig welfare.

Work to increase British consumers' demand for quality assured pork and pork products was given a boost last year with the launch of a redesigned Quality Standard Mark (QSM). We established the Quality Assurance Scheme and its accompanying certification and independent auditing procedures to enable producers to market their animals and meat at a premium to commodity prices. The QSM is carried extensively on British pork and is widely recognised by consumers.

In 2004 the focus of the consumer marketing campaign moved to promoting the health benefits of modern, lean pork. This consisted of award-winning press advertising and posters. Improvements in the eating quality of pork through specific production systems and better cooking by consumers were pursued in both the retail sector and with food service companies and colleges.

In parallel, another consumer marketing campaign was developed highlighting the results of research that indicated that two-thirds of the pork imported into this country is produced under conditions that are illegal here. The UK has banned the use of stalls and tethers in pig production, but these practices are still used in parts of Europe. The campaign was supported by the results of a consumer survey, which showed that more than 90% per cent of people wanted imported pork produced to the same standards as in the UK. This work was carried out in close contact with the NPA, which used the import data as the basis for a retailer lobbying campaign of their own. At all times BPEX kept Government/Defra informed of the progress.

An advice package was developed and distributed to small companies wishing to develop local or regional brands through outlets such as farm shops. Work was also done with some major retailers wishing to feature local products in their stores. 'Grant Finder' software was developed and promoted through the BPEX website to enable small businesses to identify sources of funding.

The Zoonoses Action Plan (ZAP) became fully operational during the year. The intention is to reduce the number of antibody positive pigs entering British abattoirs. The early results indicate a small reduction has been achieved in the first year.

BPEX worked closely with other MLC federal bodies to promote the message about the role of red meat in a healthy balanced diet. We also worked closely with government and the industry to ensure that traditional pork products can meet the challenge of government policy to reduce salt and fat in the diet while maintaining safety margins. BPEX continues to support the work of FACE (Farming and Countryside Education) in the education sector.

Re-opening export markets for breeding animals and pig meat is an important element of adding value to the industry. A number of outward and inward missions were conducted to help restore normal trade relations following Classical Swine Fever in 2000 and Foot and Mouth Disease (FMD) in 2001. Success was achieved with many countries including Japan and USA. However, despite considerable effort, access to China was not achieved within the reporting period.

### **Build alliances to develop the British market**

This is the work undertaken with other organisations towards the long-term development of the market.

Constructive relationships have been developed with a number of international organisations through the MLC Brussels office and through the International Meat Secretariat. The contacts and networks resulting from the successful hosting of the World Pork Congress in 2003 were extensively used during the year in the export recovery programme.

## **A brief look forward**

The work programme set out in the 2002 Road to Recovery has largely been achieved. However the very important challenge still remains to take the potential competitive benefits from the R&D projects and find ways to increase significantly the rate of uptake by the industry.

At the year-end the BPEX Board was in the process of a comprehensive review of industry requirements and had debated the role BPEX should play in going forward. This process includes a wide-ranging industry, government and academia consultation of pig-related R&D, which is already under way. The BPEX Board is recommending that it is vital to the industry to continue activities focused on helping to restore industry productivity and competitiveness, but with considerably more emphasis on knowledge transfer within an inter-connected and coordinated programme of research, development and knowledge transfer working in partnership with government, government agencies and the EU.

The results of this review and consultation will be embodied within an updated strategy document – Road to Recovery 2 – which will be published mid-way through 2005 and will map out the work of BPEX going forward.

I am confident that 2005 will start to see a change in fortune for our pig industry and the work of BPEX will continue to be a catalyst for change in order to deliver a more sustainable British pig industry.

**Stewart Houston**  
**Chairman**  
**British Pig Executive**

<b>Performance against targets</b>		
<b>Objectives and strategies</b>	<b>Targets 2004/05</b>	<b>Performance</b>
<b>Strategic objective 1 – Improve cost competitiveness throughout the supply chain</b>		
<b>Objective 1.1 – Encourage the development of more integrated supply chains</b>		
Strategy 1 – Fund from the promotion levy, the development of a number of supply chain projects that can demonstrate improved competitiveness, value added for levy payers and can act as an example for the rest of the industry	10 projects	Achieved – 15 projects supported
Strategy 2 – Support the work of the Red Meat Industry Forum through the Food Chain Centre and look for an initial focus on the British pork supply chain	Uptake of initiatives to enhance supply chain integration by 10% of supply chains in the retail or food service sector	Achieved
Strategy 3 – Become the acknowledged Centre of Excellence in consumer and market research in pork and pork products and use this information to help build partnerships in the supply chain	Publish 3 Market Intelligence reports. Disseminate to key stakeholders covering 70% supply chain. Achieve 65% customer satisfaction rating	Partially achieved – 3 category reports published and circulated to key stakeholders in 70% of supply chain. Customer satisfaction survey not completed
Strategy 4 – Work in partnership with retailers, food service companies and their suppliers on integrated programmes to promote pork and pork products. This activity will be communicated to producers and producer groups within the supply chain	Uptake of initiatives to enhance supply chain integration by 10% of supply chains in the retail or food service sector	Achieved
<b>Objective 1.2 – Research into reducing the cost of production</b>		
Strategy 1 – Instigate a comprehensive programme of practical research that delivers transferable knowledge to enable production costs to be reduced. This will include research into feeding methods, management systems, pig health and carcass weight	Establish weaner trial	Achieved
Strategy 2 – Priority will be given to projects that will help in the management of PMWS and PDNS	Continued coordination of PMWS Working Group. Develop links with Danish researchers	Achieved
Strategy 3 – Provide technical and policy information to producers and processors with regard to the possible impact of emerging environmental legislation and control	Appointment of environmental specialist. Coordination of knowledge with industry bodies. Establish national IPPC training programme	Achieved
Strategy 4 – Projects will be coordinated across the industry through the NPA Technical and Scientific Committee and the MLC Research Steering Committee	Establish BPEX Technical Subgroup	Achieved
Strategy 5 – Maximum use will be made of co-funding opportunities from UK government, EU and commercial sources	Access joint funding for three-phase weaner project costing a total of £3.3m – due for completion in March 2008	Achieved – £2.9m of joint funding accessed from industry and government
<b>Objective 1.3 – Adopt best practice from competitors and complementary industries</b>		
Strategy 1 – Launch a national interactive benchmarking initiative for producers	Link between benchmarking site and other data recording software	Achieved
Strategy 2 – Exploit fully all communication channels to encourage the uptake of existing and emerging knowledge	Develop robust producer database and customer survey. Establish 20% uptake of existing technology as future benchmark	Partially achieved – database element completed. Customer survey and uptake measures yet to be established
Strategy 3 – Support the adoption of Demonstration Farms for pig production as recommended by the Policy Commission on Food and Farming	120 staff days required to support the project	Not achieved – put on hold, subject to conclusion of R&D review
Strategy 4 – Continue to support novel training methods, such as CD-Rom distance learning packages and industry recruitment programmes	Achieve 30% sustained usage by existing owners of CD-Rom packages	Achieved

Objectives and strategies	Targets 2004/05	Performance
<b>Objective 1.4 – Adopt more efficient pig grading and pricing methods</b>		
Strategy 1 – Facilitate the introduction and uptake of new carcase grading and measurement tools, such as the Autofom, and encourage their use in new pig pricing systems	Gain EU approval for Autofom to be used in UK	Achieved
Strategy 2 – Work with abattoirs and government to adopt more modern data handling systems to enable the rapid production and supply of management information	Undertake international review of data handling systems	Achieved – in conjunction with FSA
<b>Objective 1.5 – Improve risk management</b>		
Strategy 1 – Identify and publicise best practice in physical and financial risk management techniques, particularly in relation to contractual relationships. This will build on the NPA Risk Management Website that BPEX helped to establish	Communicate suitable financial and physical risk management tools	Partially achieved – limited work on feed costs delivered with Home Grown Cereals Authority
Strategy 2 – Encourage government to introduce adequate controls to ensure the risks to the industry and to consumers from illegally imported meat are minimised	Support NPA campaign against illegal meat imports	Achieved
<b>Objective 1.6 – Avoid unnecessary regulation</b>		
Strategy 1 – Identify and quantify the extent of unnecessary regulations that are applied to the British pig industry and press for their modification or removal	Respond to around 50 relevant consultations during the year	Achieved – responded to 54 consultations
Strategy 2 – Monitor emerging legislation in Whitehall and in Brussels and assist industry organisations such as NPA and BMPA in responding to proposals	Respond to around 50 relevant consultations during the year	Achieved – responded to 54 consultations
Strategy 3 – Maintain effective and efficient communications with policy makers and representative organisations to ensure a full understanding of the impact of current and proposed legislation	Not relevant for 2004/05	N/A
<b>Strategic objective 2 – Defend and add value to British markets for pork and pork products</b>		
<b>Objective 2.1 – Inspire British consumers to increase demand for Quality Assured pork and pork products</b>		
Strategy 1 – Defend and enhance the image of British Quality Assured pork and pork products through communication directly to consumers. This will be integrated with the activities of individual supply chains	Achieve 72% usage of QSM on British Pork in Porkwatch survey compared to a baseline of 69%	Achieved – 82%
Strategy 2 – Inspire consumers to increase demand by positioning pork and pork products as a modern, convenient, healthy part of everyday meals	New target – stabilise and reverse the rise in consumers that perceive pork as too fatty as measured by Millward Brown – baseline at 36% in January 2004	New target achieved – ad campaign launched in September 2004, baseline stabilised at 38% and started to show signs of decline at year end
Strategy 3 – Inspire abattoirs and meat processors to produce a continuous range of new products and presentations for pork and pork products, particularly through targeted consumer and market research	Undertake market research into consumer needs and review new product development (NPD) best practice in other countries	Partially achieved – three category reports produced and circulated. NPD work not completed
Strategy 4 – Inspire parts of the food service sector to increase their sales of British Quality Assured pork and pork products to satisfy the growing demands of their customers	Secure adoption of menu transparency protocols with 2 leading food service companies	Achieved
Strategy 5 – Collate and disseminate all available information on techniques to improve eating quality, including measurement methods in the carcase	Facilitate the introduction of new techniques within one identified supply chain per annum	Partially achieved – measurement methods not developed
Strategy 6 – Work with retailers and food service companies on cooking recommendations to ensure that eating quality is maximised	Develop relationships with large retail and food service companies	Achieved

Objectives and strategies	Targets 2004/05	Performance
<b>Objective 2.2 – Develop local and regional marketing opportunities</b>		
Strategy 1 – Support the development of local and regional marketing channels for pork and pork products through technical and marketing advice and targeted support where appropriate	Develop information pack for direct marketing project and competencies within regional manager team	Achieved
Strategy 2 – Assist individuals and groups of individuals to access Regional Development funds	Develop knowledge base of possible external funding sources within the Regional Manager team	Achieved
Strategy 3 – Monitor the promotion of pork and pork products in Scotland and Wales under regional brands and utilise any aspects that are of value to English producers and processors	Attend 4 meetings per annum with Scottish and Welsh devolved bodies to discuss regional branding activity	Achieved
<b>Objective 2.3 – Introduce ZAP (Zoonoses Action Plan)</b>		
Strategy 1 – Design and implement ZAP in co-operation with producers and processors as a means of monitoring and controlling the risk to consumers from <i>Salmonella</i> . This work will be extended to cover other zoonoses as appropriate	Reduce average ELISA positive scores by 25% from 2003 levels (24%) by 2010 and secure FSA funding until 2010	On track – positive sample scores reduced to 22.8%. FSA funding secured to 01/01/06
Strategy 2 – Work with the assurance schemes to ensure that ZAP becomes an integral part of whole chain assurance	Achieve EN45011 compliance	Partially achieved – achieved at farm level, under review at abattoir level
<b>Objective 2.4 – Communicate the benefits of eating pork and pork products to education and health professionals</b>		
Strategy 1 – Produce a regular supply of accurate briefing material that details the health benefits of consuming pork and pork products and disseminate these to health professionals	Produce 10 communication packages and conduct 50 contacts with industry organisations. Effect a 1% change in attitudes as measured by Millward Brown or GP Survey	Partially achieved – the range of communication packages were delivered. Survey of Practice Nurse attitudes to be delivered in May 2005
Strategy 2 – Maintain close contacts with health professional bodies and appropriate organisations outside Great Britain	Establish communication network with non-British health professional bodies and organisations	Not achieved – no activity undertaken to deliver this strategy
Strategy 3 – Support the activities of FACE (Farming and Countryside Education) in the production of a regular supply of educational material of high integrity that fits into the national curriculum	Produce 10 communication packages per annum	Achieved
<b>Objective 2.5 – Instigate an export market recovery programme</b>		
Strategy 1 – Work with government to ensure the rapid reintroduction of export certificates for target non-EU markets	Establish Health Certificate with China	Partially achieved – paved way for export certificate later in 2005
Strategy 2 – Obtain any available EU funding for export promotion on behalf of British exporters	Source £50k external funding per annum for British pig meat exports	Not achieved – only limited UK funding was sourced
Strategy 3 – Assist exporters in maintaining a national profile for British pork and especially value added pork product exports at selected international events	Achieve a satisfaction rating of 65% from survey of British pig meat exporting companies	Partially achieved – presence maintained in many target countries but satisfaction survey not conducted
<b>Objective 2.6 – Exploit opportunities and defend threats to pork products from Government-led initiatives on diet, health and nutrition</b>		
Strategy 1 – Interpret Government policy initiatives in areas such as public sector food provision, health promotion and food labelling etc. and advise industry sectors on most appropriate response	Regular reports with project review to BPEX Board	Achieved
<b>Strategic objective 3 – Build alliances to develop the British market</b>		
<b>Objective 3.1 – Build alliances to develop the British market</b>		
Strategy 1 – Explore with other organisations that have a mutual interest in the long-term development of the British market co-operation in non-competitive areas such as diet and health and education	Establish regular communication with interested parties reference non-competitive areas of activity	Achieved





## EBLEX Chairman's report

The last twelve months have been an exciting and busy time for EBLEX as our strategies have been implemented on behalf of English levy payers.

It is a credit to both the EBLEX Board and staff that this not inconsiderable task has been approached with both professionalism and enthusiasm.

When EBLEX was established as an executive of the MLC just over two years ago, the Board quickly agreed our need to focus on adding value to the beef and lamb industries.

### Our mission

- To contribute to the long-term profitability and sustainability of the English beef and lamb industries by listening, reporting and delivering measurable benefits.



John Cross  
Chairman, EBLEX



### Our key drivers are:

- To meet the aspirations of our English levy payers.
- To adapt to the new challenges and opportunities arising from changes to farm support from 2005.

So our strategic plan for the period 2003 to 2006 took shape encompassing the need for EBLEX to:

- Contribute directly to improved efficiency in the English beef and lamb sectors and indirectly to improved efficiency in the British meat and livestock industry.
- Stimulate demand for beef and lamb and their products in England and English products abroad.
- Understand the needs of both consumers and the English beef and lamb industry and communicate effectively with both.

## The Board

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

**David Raine**, Deputy Chairman  
(National Sheep Association)

Farms cattle and sheep in a Cumbrian farming partnership and was a past Chairman of the National Sheep Association and MLC's Sheep Strategy Council.

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

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

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

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

**Frank Momber** (National Beef Association)  
Runs a commercial suckler herd in partnership with his son, in Hampshire. He is also Deputy Chairman of the National Beef Association.

**David Morgan** (National Farmers' Union)  
Has a large-scale beef and sheep farm on the border of England and Wales. He is also Deputy Chairman of the National Farmers' Union Livestock Board.

**Kevin Pearce** (resigned April 2005)  
(National Farmers' Union)  
Until April 2005, Kevin was National Livestock Adviser for the National Farmers' Union.

**John Putt** (British Meat Processors' Association)  
A former Director of the Kepak Group, John is now a meat trade consultant.

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

Our objectives	Our strategies
Develop and launch a quality brand proposition for English consumers	Based on sound consumer research and our knowledge of meat science, identify quality attributes that appeal to consumers and develop and implement a Quality Standard brand strategy taking account of state aids limitations
Interpret and clearly communicate information on external business drivers to English levy payers	Invest in specialist resources to analyse and interpret selected external issues and communicate their impact effectively
Create a positive environment that encourages and maximises opportunities to add value throughout the English supply chain	By providing and educating consumers about the 'quality' option, influence their buying behaviour to make Quality Standard beef and lamb their first choice  Continue to support generic meat eating  Invest in appropriate R&D and disseminate best practice
Develop effective internal and external relationships	Maintain a positive dialogue with English levy payers, with an open and continuous communication style

## Delivering our strategies

### The English proposition

The year saw us continue with our critically-acclaimed English-themed 'Tuck-In' campaign, designed to rejuvenate the link between the varied food cultures of England and the finest quality beef and lamb. At the same time our application for state aids approval for our Quality Standard Mark was finalised, receiving final approval in late July 2004.

The Quality Standard for beef and lamb, which supports the Mark, is built upon existing foundation standards for food assurance but remains the only UK scheme to include an eating quality requirement. All beef and lamb carrying the Mark is chosen according to a strict selection process to ensure it is consistently succulent and tender. Quality Standard beef and lamb is produced to higher standards than required by law, with a fully assured supply chain independently inspected at every stage from farm to meat counter. Importantly our Mark also tells the consumer the provenance of the beef and lamb; with beef or lamb born, reared and processed in England eligible to carry the cross of St George, and beef or lamb having crossed the internal borders of the United Kingdom identified by the Union Flag.

In parallel with the technical development of the scheme and application for state aids approval, an advertising agency was appointed and a major consumer marketing campaign meticulously researched and developed. Launched to the trade in autumn 2004, membership applications to the scheme exceeded all expectations. By the time of the launch of the consumer campaign in March 2005, four major multiple retailers and over 700 businesses had been registered for participation. This grew significantly during the first month of the campaign, and by the end of March stood at seven multiple retailers and 1,347 businesses.

In the vanguard of the fully integrated consumer launch were the two well-known heroes of English cricket, Ian 'Beefy' Botham and Alan 'Lamby' Lamb, who appeared in two amusing animated TV advertisements. These were supported by a series of high-profile promotions in stores, magazines, roadshows and on our new website, [www.beefyandlamby.co.uk](http://www.beefyandlamby.co.uk) aimed at shoppers.

### External drivers

The decoupling of support payments and the regionalisation of England under CAP reform has increased the need for effective communication of the changes under way and of the management options available. We rose to this challenge, actively issuing industry briefings, responding to key consultations and ensuring an uninterrupted flow

of relevant facts and statistics were available for the English industry.

We also continued to work closely with both producers and processors on a range of other issues affecting our industry, including the ending of the OTM Scheme, the lifting of the Date Based Export Scheme, and the role of beef and lamb in a balanced, healthy and varied diet.

Our team of dedicated regional managers have held regular meetings with producers, providing technical and management information to our levy payers.

### Adding value

EBLEX has been an active member of the MLC Research and Development Forum and remains committed to working with our colleagues in the other federal bodies on R&D projects that can bring benefits to us all. Our Board also recognised that a greater emphasis needed to be placed on helping producers and processors harness the benefits of our R&D programmes. Through a number of new initiatives, such as the 'Targeted Beef Selection and Handling' CD which was produced with support from Defra, we are transferring technical knowledge. Our commitment to this area is emphasised by our appointment of a new staff member in the South West to develop a blueprint for technology transfer in close liaison with all businesses involved in the supply chain.

We have continued to manage the £1.5m 'Better Returns Programme' on behalf of Defra, which has now attracted the participation of over 4,500 sheep producers. It is being delivered on time and within budget to considerable acclaim from all sectors of the English sheep industry.

Exports remain an important area where EBLEX can contribute to the sustainability of our industry. Strategic investments were made in stands at the International Food Exhibition, SIAL, in autumn 2004 and the large French agricultural exhibition in Paris, SIA, in March 2005 to support English exporters. Part of a wider portfolio of export marketing projects, these activities ensure we remain in touch with importers in our key markets.

In November 2004, the second year's results of whole farm fixed cost information for beef and sheep enterprises was published in conjunction with *Farmer's Weekly*. The timing of this information release was critical, as beef and sheep producers approached the new era of CAP reform and an unprecedented number of visits were recorded on

the EBLEX website as producers sought more detailed information. Our efforts in this area are complemented by the work of the Red Meat Industry Forum benchmarking scheme, which we continue to support.

### Communication

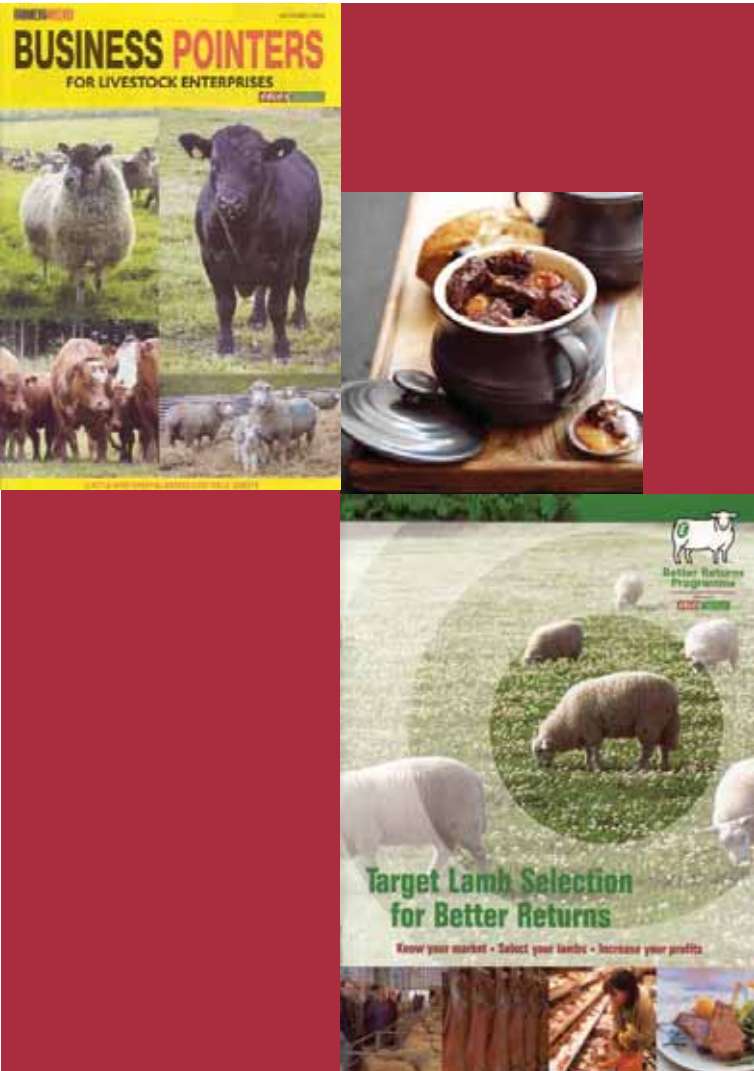
The Board is committed to open dialogue with our levy payers and has maintained its successful policy of holding board meetings on a rotating basis around England and combining these with open meetings for levy payers. Meeting dates, agendas and summary notes are made available on the EBLEX website, [www.eblex.org.uk](http://www.eblex.org.uk).

Our website was substantially redesigned and relaunched at the National Sheep Event in July 2004, with three elements which make it unique in the red meat sector: an events facility available for any English business to use and promote its activities, a document store holding a wealth of freely available information, and a press module. This site is used by an average of over 8,000 users each month and is regularly accessed throughout the week for market prices, market updates, technical briefings and general publications. The number of registered users, who can receive tailored information via email, has now reached 2,800. The web also serves as an internal resource for the staff team, allowing business documents to be accessed quickly and effectively.

The regional team of EBLEX managers continued to fulfil a vital communication role on behalf of the organisation, working with levy payers, other stakeholders, Regional Development Agencies, government offices and departments. To reflect the main areas of livestock production in England, the team of four Regional Managers was increased to six and regional boundaries were adjusted to divide the Northern region into two separate areas.

### A brief look forward

The year ahead will see both beef and lamb producers start to react to the reform of the CAP and there is a real concern that despite the positive future for English beef a period of uncertainty could see a reduction in our herd size, with the consequential downturn in the overall profitability of the industry. Despite this we will continue to provide insight and knowledge to help producers make the best possible decisions for their businesses.



We remain committed to both R&D and Technology Interaction (TI) and have worked with the MLC and other federal bodies to streamline our commissioning process across our six headline areas of research – breeding, feeding, animal and data management, disease control and welfare, human nutrition, and slaughter, processing, packaging and storage.

Our restructured regional and marketing teams are set to pursue a more active programme during the year, working with our partners from every sector of the English industry including auction markets, producer groups, abattoirs and processors, breed societies and other representative organisations.

I am confident that we have the right strategies, the right processes and the right organisation to deliver the real benefits our stakeholders demand. The launch of our Quality Standard Mark will allow us to add value for the benefit of the English supply chain and simultaneously promote the advantages of food assurance standards.

Our investment in R&D and TI will enable more stakeholders to become, and stay, world class. By engaging and communicating we will provide our stakeholders with access to advice and information to help them make decisions that bring real benefits to their businesses.

We already know that the year ahead is one that will be characterised by change, from the decoupling of CAP payments to the pending cessation of the OTM rule, to increased global competition. Whatever the headlines, our focus will remain on improving the profitability and sustainability of the English industry.

**John Cross**  
**Chairman**  
**English Beef and Lamb Executive**

<b>Performance against targets</b>		
<b>Objectives and strategies</b>	<b>Targets 2004/05</b>	<b>Performance</b>
<b>Strategic objective 1 – Adding value (competitiveness and sustainability)</b>		
<b>Objective 1.1 – Reduce the cost of farm gate production for beef, excluding external influences such as feed prices and interest rates whilst maintaining or improving quality, by 8p/kilo, from 87p/kilo to 79p/kilo, by 2007</b>		
Strategy 1 – Develop a more robust and effective benchmarking framework at lower cost	Publish benchmark data by 30 November 2004 at a saving of £20k per annum compared to the current situation	Partially achieved – beef farm costings data published in October 2004, delivered at a combined beef and sheep cost of £120k; no change on previous year's budget. EBLEX continues to be a major supporter of the farm benchmarking project run by the Red Meat Industry Forum
Strategy 2 – Maintain and develop an effective R&D programme focused on lowering the cost of production in the areas of feeding, breeding, animal and data management, disease control and welfare, human nutrition and slaughter, processing, packaging and storage	Predicted value of 7 live research projects over the next 5 years = a total benefit of £2.5m	Achieved – at year-end, 8 cattle & 8 generic research projects were operating, with 10 PhD studentships supported. Two new cattle projects were initiated in the year. The current benefit of R&D projects is expected to be £53.5m for beef and £10m for generic activities
Strategy 3 – Dissemination and uptake of the knowledge and best practice techniques derived from the R&D programme identified above	Predicted value of uptake of knowledge and best practice to the industry = a total benefit of £5m	Partially achieved – current value of rolling knowledge transfer projects is expected to be £700k. Projects expected to deliver a further £5.5m in future years are under consideration
<b>Objective 1.2 – Reduce the cost of farm gate production for lamb, excluding external influences such as feed prices and interest rates whilst maintaining or improving quality, by 6p/kilo, from 130p/kilo to 124p/kilo, by 2007</b>		
Strategy 1 – Develop a more robust and effective benchmarking framework at lower cost	Publish benchmark data by 30 November 2004 at a saving of £20k per annum compared to the current situation	Partially achieved – sheep farm costings data published in October 2004, delivered at a combined sheep and beef cost of £120k; no change on previous year's budget. EBLEX continues to be a major supporter of the farm benchmarking project run by the Red Meat Industry Forum
Strategy 2 – Maintain and develop an effective R&D programme focused on lowering the cost of production in the areas of feeding, breeding, animal and data management, disease control and welfare, human nutrition and slaughter, processing, packaging and storage	Predicted value of 5 live research projects over the next 5 years = a total benefit of £2m	Achieved – at year-end, 5 sheep & 8 generic research projects were operating, with 10 PhD studentships supported. One new sheep project was initiated in the year. The current benefit of R & D projects is expected to be £10.2m for sheep and £10m for generic activities
Strategy 3 – Dissemination and uptake of the knowledge and best practice techniques derived from the R&D programme identified above	Predicted value of uptake of knowledge and best practice to the industry = a total benefit of £2m	Partially achieved – current value of rolling knowledge transfer projects is expected to be £850k. Projects expected to deliver a further £3.5m in future years are under consideration
Strategy 4 – Deliver the Better Returns Project in line with published targets available at <a href="http://www.eblexbetterreturns.org.uk">www.eblexbetterreturns.org.uk</a>	Predicted value of uptake of knowledge and best practice to the industry = £2m benefit by the end of the programme in December 2005	Partially achieved – over 4,500 producers have signed up for the programme. A series of 142 coordinated events were held, two technical manuals published; developed deadweight price reporting software and produced technical videos allowing producers to enhance their knowledge base. The financial evaluation will be conducted at the programme's completion. Further detail is available in the BRP Annual Report

Objectives and strategies	Targets 2004/05	Performance
<b>Objective 1.3 – Exploit opportunities and communicate threats to beef/lamb products from developments in the areas of diet, health and nutrition</b>		
Strategy 1 – Interpret government policy initiatives in areas such as public sector food provision, health promotion and food labelling etc. and advise industry sectors on most appropriate response	Regular reports with project review to EBLEX board	Achieved – EBLEX has maintained its commitment to collaborative activities conducted by MLC on behalf of federal bodies
<b>Strategic objective 2 – Marketing proposition (influencing demand)</b>		
<b>Objective 2.1 – Significantly improve the real value of beef and lamb to all stakeholders, including consumers</b>		
<b>Objective 2.2 – Increase the share of beef and lamb in the English marketplace from 45% to 55% by 2010</b>		
Strategy 1 – Research and develop the English brand proposition	Complete research and development phase	Achieved – the research and development phase of the programme was completed on time and the Quality Standard for beef and lamb campaign was launched to the consumer on 1 March 2005
Strategy 2 – Launch the English brand proposition	A minimum 65% consumer awareness and satisfaction score 12 months after the launch (March 2006). We report awareness three weeks into the campaign (March 2005)	On-track – the initial phase of the campaign was to build distribution of QSM product. By the end of March 2005 seven multiple retailers and over 1,347 businesses operating over 6,000 outlets had signed up to the scheme. Results following the first three weeks of the campaign estimated that over 87% of housewives with children saw the advertising and awareness was at 32% (Millward Brown)
Strategy 3 – Consolidate the English brand proposition	Not relevant for 2004/05	N/A
Strategy 4 – Premiumisation of the English brand proposition	Not relevant for 2004/05	N/A
Strategy 5 – Appropriate management of the British Meat Brand	New target – the structure of the programme has changed to reflect the continuing impact of devolution. The target is revised to measure the return on investment. The measure is a ratio of estimated value against every pound invested. The target is 1:8	Achieved – EBLEX contributes to the collaborative British meat consumer PR, educational and nutritional programme. The main focus of generic activity has been the 'Tuck-In' campaign. Three bursts of activity were delivered, supplemented with activity around St George's Day and Christmas. The total consumer reach for all elements was 76m and the ROI ratio 1:12
<b>Objective 2.3 – Increase the volume of English beef and lamb in specific overseas markets from 75k tonnes to 130k tonnes by 2007</b>		
Strategy 1 – Facilitate the dismantling of the Date Based Export Scheme (DBES)	Dismantling of DBES subject to regulatory decision	Not achieved – the ending of DBES is pending regulatory approval. While beef export sales remain limited, EBLEX has played a major role in inward and outward trade missions, encouraging English plants to develop current and future market opportunities
Strategy 2 – Facilitate the dismantling of the Over Thirty Month (OTM) rule, including the smooth transition back to the marketplace	Dismantling of OTM rule subject to regulatory decision	Partially achieved – while the ending of OTM rule is pending regulatory approval, EBLEX has provided technical, market and regulatory briefings to industry and has facilitated the flow of information to government. This is enabling producers, processors and government to base decisions on the best available information

Objectives and strategies	Targets 2004/05	Performance
<b>Objective 2.3 – Increase the volume of English beef and lamb in specific overseas markets from 75k tonnes to 130k tonnes by 2007</b>		
Strategy 3 – Target specific North European markets	80k tonnes of lamb	Partially achieved – whilst no published data is available for England, it is estimated that just over 40k tonnes of English lamb was exported in the year. Considerable efforts were made by industry in a number of key markets, with over 20 English exporters achieving considerable success in Belgium, the Netherlands and France. A significant rise in exports of cuts rather than carcasses continues to provide added value opportunities for the English industry
<b>Strategic objective 3 – External drivers (knowledge management)</b>		
<b>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</b>		
Strategy 1 – Rigorous assessment of external drivers affecting the industry	A minimum 70% stakeholder awareness and satisfaction score	On-track (awaiting satisfaction data) – EBLEX supported 64 MLC responses to government consultations on important and relevant issues, and undertook four specifically for English stakeholders
Strategy 2 – Developing solutions to issues that we can influence and are important	All key issues appropriately dealt with	Achieved – 41 EBLEX briefings were generated during the year, which help lead and form opinion within the stakeholder community
Strategy 3 – Effective communication to industry stakeholders of relevant knowledge	A minimum 70% stakeholder awareness and satisfaction score	On-track (awaiting satisfaction data) – an active programme of over 200 producer meetings has been delivered throughout the country, with a focus in the latter part of the year on CAP reform and its implications
<b>Objective 3.2 – Managing effectively and constantly seeking ways to improve our internal knowledge management process to become a world-class organisation</b>		
Strategy 1 – Develop a web-based knowledge management infrastructure that better facilitates the sharing of knowledge	Go live on the knowledge management repository by end of July 2004	Achieved – public launch of new website on 28 July 2004 at Malvern. Just fewer than 3,000 reference documents now reside on the web, with a regular and constant series of downloads by English stakeholders. This is constantly added to
Strategy 2 – Management style to facilitate continuous improvement	A minimum 75% internal stakeholder awareness and satisfaction score	Achieved – internal staff questionnaire revealed an 82% overall satisfaction rating in September 2004. Levels of satisfaction increased or remained constant in 94% of cases
Strategy 3 – Attain ISO accreditation	Not relevant for 2004/05 – keep under review	N/A



## HCC Chairman's report

HCC's mission statement is to develop profitable and sustainable markets for red meat in Wales and to Welsh meat outside Wales for the benefit of all stakeholders in the supply chain.



Rees Roberts OBE  
Chairman, HCC

### HCC has five strategic goals underlying the mission statement.

#### Effective promotion of Welsh Lamb and Welsh Beef and red meat products in Wales

HCC's first ever television consumer advertising campaign was launched targeting ABC1 audiences in Wales, the Midlands and south of England.

Throughout the year HCC produced regular themed retail kits for retailers across Wales to promote Welsh Lamb and Welsh Beef.

Our healthy eating roadshow toured schools and colleges across Wales to promote our balanced plate and healthy eating aims.

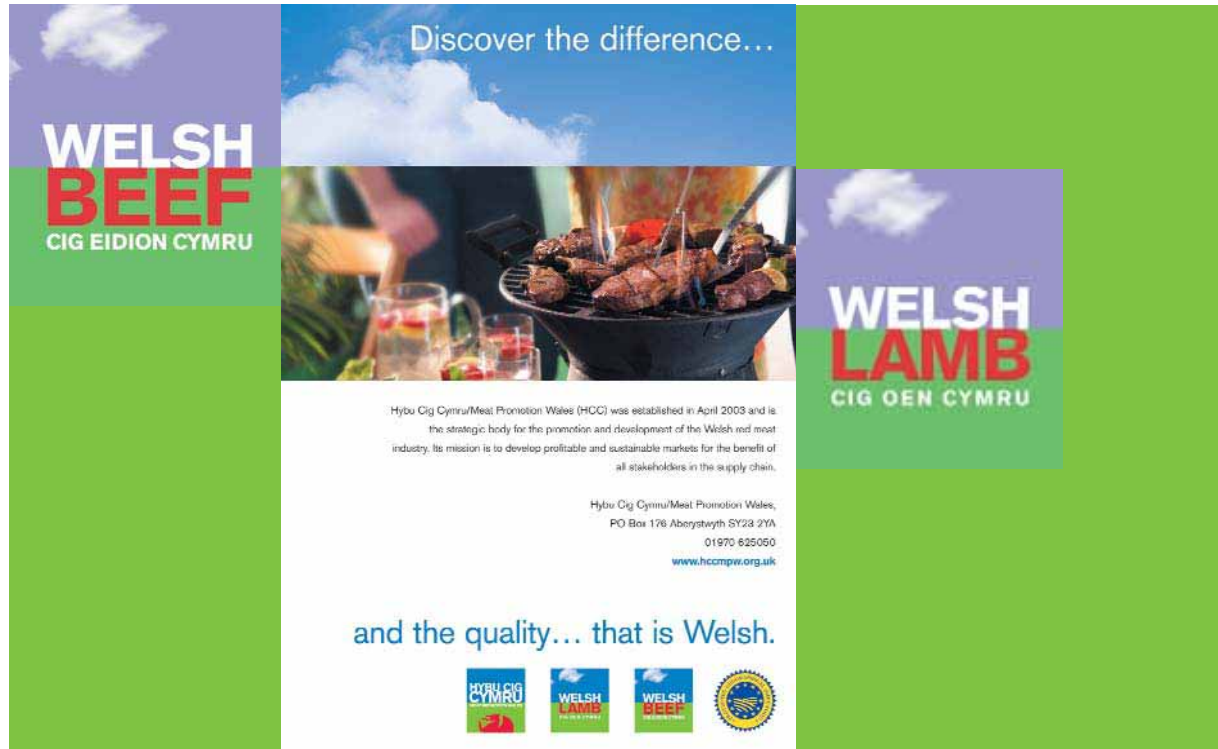
A substantial increase in on-pack visual branding of Welsh Lamb products in major retailers boosted HCC's marketing strategy.

HCC was active in a number of initiatives with the export market, including exhibiting at food/trade events in Italy, SIAL and SIA in Paris, Anuga in Germany and Belgium.

#### Build strong differentiated products

HCC announced the appointment of an independent certification body to safeguard the integrity of Welsh Lamb and Welsh Beef's PGI status.

Independent butcher innovation was celebrated and new products encouraged as 550 businesses participated in HCC's popular all-Wales product evaluation awards.



Discover the difference...

**WELSH BEEF**  
CIG EIDION CYMRU

**WELSH LAMB**  
CIG OEN CYMRU

Hybu Cig Cymru/Meat Promotion Wales (HCC) was established in April 2003 and is the strategic body for the promotion and development of the Welsh red meat industry. Its mission is to develop profitable and sustainable markets for the benefit of all stakeholders in the supply chain.

Hybu Cig Cymru/Meat Promotion Wales,  
PO Box 126 Aberystwyth SY23 2YA  
01970 625050  
[www.hccmpe.org.uk](http://www.hccmpe.org.uk)

and the quality... that is Welsh.

HYBU CIG CYMRU WELSH LAMB WELSH BEEF

### Improving quality and cost effectiveness of primary production

The research and development programme is designed to help deliver assistance towards the goal of competitiveness for all stakeholders.

HCC facilitates specialist advice for farmers utilising the Farming Connect Sheep and Beef Development Centre resources. Since its inception, over 11,342 farmers have attended over 597 demonstration and group meeting and training sessions through the programme.

HCC's breeding programme aims to raise standards for the Welsh sheep and cattle stock. There are currently 18 breeding groups involved in the Sire Reference Scheme recording approximately 15,000 ewes for performance traits with two new sire reference schemes introduced during the year.

One of HCC's primary functions is to provide farmers with the opportunity to gain new skills that complement the traditional virtues and techniques of Welsh farming. A vital part of this is achieved through the demonstration farms – working farms, owned and managed by commercial

farmers. HCC provided technical and specialist advice which farmers could then put into practice. Regular open days and farmer-run business development groups were held.

HCC also backed a number of industry study group tours over the year to help Welsh farmers become more efficient in their businesses.

The Farming Connect Sheep and Beef Development Programme Scholarship was also administered by HCC.

### Strengthen the red meat supply chain

HCC seeks to provide a comprehensive programme of activities that will benefit the whole of the red meat supply chain.

HCC worked with the abattoir sector in Wales to improve efficiency through the Red Meat Industry Forum, for example PROBE, which promotes benchmarking programmes for red meat businesses; a programme of masterclasses for abattoirs and processors, using outside experts to help them identify and adopt best practice methods.

**HYBU CIG  
CYMRU**  
MEAT PROMOTION WALES



Farmers were also assisted to check their competitiveness through benchmarking and HCC offered free selection for slaughter training courses.

### Effective communication of HCC activities and industry issues

An important part of HCC's work is to communicate new and relevant information about developments relating to Welsh red meat to stakeholders.

A new website was launched that offers more than 1,500 pages on wide ranging issues.

A new revolutionary text messaging service was launched that enabled farmers to receive weekly text alerts detailing market prices for both sheep and beef cattle.

Regular press releases were issued. A high percentage of them were printed in the local and national press as well as achieving favourable broadcasting figures.

HCC's local procurement campaign received a boost with the announcement of an exclusive agreement to supply Welsh Beef to all hospitals across north Wales.

Over the past year HCC has responded to a wide variety of requests to provide expert speakers on red meat industry issues to important groups of stakeholders across Wales and further afield.

### Looking to the future

There is cause for a degree of optimism in the Welsh red meat industry. Prospects of a beef export market that is freed from the shackles of the Date Based Export Scheme and new emerging markets for our Welsh Lamb, both at

home and abroad, should provide an underlying confidence and strong hope for 2005–06.

The Welsh red meat industry now has a united and single-minded body able to use enhanced resources to punch our weight in the marketplace.

We must aim for HCC to reflect consistently the same high levels of quality in performance as our farmers demonstrate in their day-to-day work.

Armed with our badge of quality, PGI status, and our strongly identifiable brands, we have developed an infrastructure and specialist staff to allow HCC to seize opportunities in markets at home and abroad.

We must, however, be vigilant as there are many challenges ahead of us. As a strong, industry-led organisation, I believe HCC can only increase its potency and ability to serve the industry in the coming twelve months.

**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](http://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

## QMS Chairman's Report

This statement covers a year when Quality Meat Scotland's activities were focussed on delivering on the aims and objectives the organisation has identified as part of its core function to improve the efficiency and profitability of the Scottish red meat industry and to maximise its contribution to Scotland's economy.



Jim Walker CBE  
Chairman, QMS

Following the transfer of responsibilities to QMS for the expenditure of levies raised in Scotland on the particular needs of the Scottish red meat industry, the organisation has developed a business plan encompassing a broad range of activities.

These have been identified following consultation with industry stakeholders to ensure the organisation can be accountable to its levy payers and that its expenditure is meeting the needs of the Scottish industry.

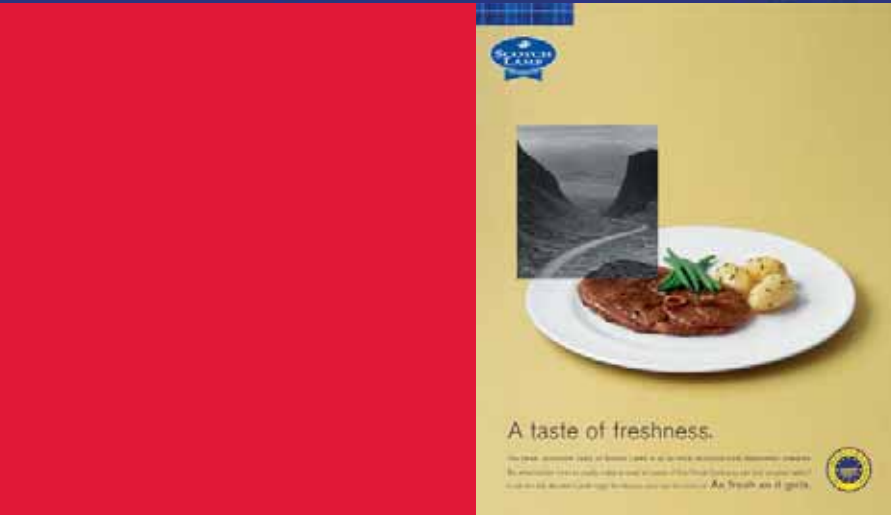
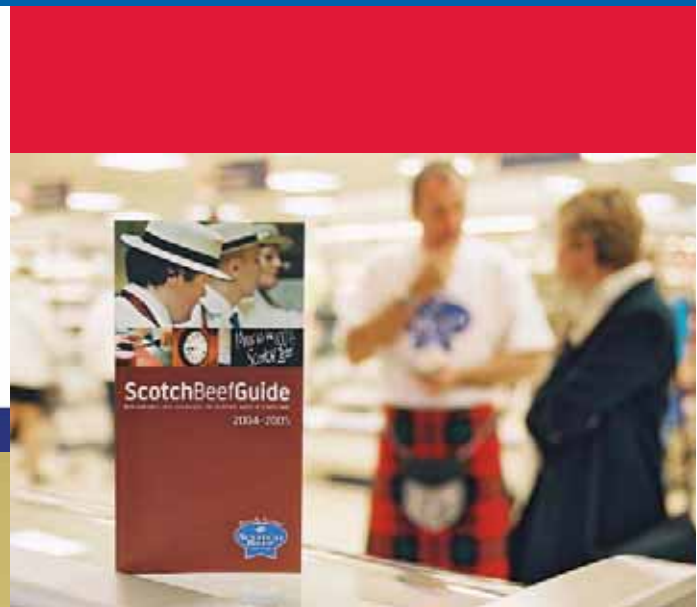
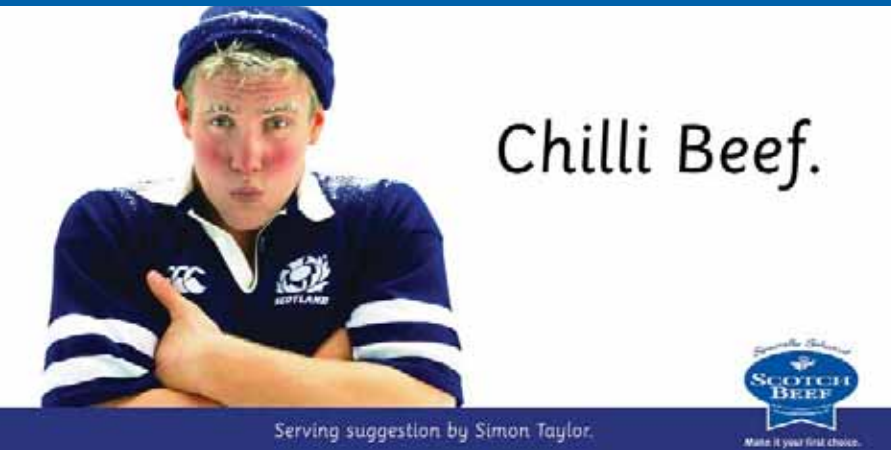
The advisory committees put in place to inform our activities continue to allow us to maintain close links with the people we exist to help and also offer us a ready source of practical advice.

The QMS Board of Directors continues to guide the work of the organisation. Three directors are representatives of QMS's owners: NFU Scotland, the Scottish Association of Meat Wholesalers and MLC. Their fellow members are drawn from all sectors of the industry and from different geographical locations. They offer much knowledge and expertise on all issues facing Scottish red meat businesses, including the perspective of the consumer and retail sector.

During the past twelve months QMS staff have successfully driven forward a range of industry-related initiatives and activities, with progress measured against ambitious targets.

These included the publication of the Scottish Red Meat Industry Profile, the first document to offer information on the shape and scale of the sector and its sizeable contribution to the Scottish economy. Another notable achievement was the launch of the Scottish industry's first research and development strategy. Research projects will be advanced that will provide new information that can be used by Scottish businesses to increase efficiency and cut costs.

Our continuing strong links with MLC, not least of which is through my role as an MLC Commissioner, have once again complemented the knowledge and expertise of QMS staff. During the year we purchased specialist technical information and economic data to enable that expertise to be focussed on the priorities of the Scottish industry.



In accordance with the legislative changes of 2002, the full QMS Annual Report and Accounts to the year ending 31 March 2005 will be presented to the Scottish Parliament as well as being published at the QMS Annual General Meeting later this year.

QMS publishes its own Corporate Plan and Business Plan and the latest, published for the year 2004/05, is available by logging on to the QMS website at [www.qmscotland.co.uk](http://www.qmscotland.co.uk).

Looking ahead, QMS is committed to delivering on the aims and objectives set out in our Corporate Plan and to fulfil our remit to help the businesses making up the red meat sector in Scotland improve their efficiency and profitability.

**Jim Walker CBE**  
**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](http://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

# MLC Commercial Services report

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

## Performance against target

Commercial Services operates to an annual financial target. For 2004/05 this was to contribute £391,000 (post tax) to supplement MLC's levy income. Actual out-turn provided a contribution of £494,000.

## Authentication Services

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

Carcases classified by the team as a percentage of British slaughterings increased slightly for cattle and sheep but declined slightly for pigs (see table below). The service operated in a difficult industry environment and the retention of this level of market penetration was seen as confirmation of the industry's appreciation of the value of independent classification services as supply chain transparency was a growing focus across all sectors.

The development of Objective Video Image Analysis (VIA) classification systems for beef carcasses and the Autofom classification system for pig carcasses continued to be a

focus within the industry. Authentication Services monitored progress to ensure that independent service provision within these objective systems remains a viable element of added value to the industry, although the high capital cost of these systems means that they will not be a viable option for most medium and low throughput plants.

Service provision to EBLEX for the Better Returns Programme for sheep developed considerably during the year. Abattoir training events were delivered as well as numerous attendances at shows to support the programme, total events numbering in excess of 100. Additionally, a pilot sheep-sorting trial at an auction market clearly demonstrated how presentation of slaughter stock in similar batches to meet market requirements improved financial returns to producers. Similar work for HCC in Wales continued to develop with over 40 training events and shows attended.

Equipment and label sales were successfully maintained during the year.

The dedicated Authentication Services website, [www.mlcclassification.org.uk](http://www.mlcclassification.org.uk), continued to offer the Directory of Carcase Services Users to the industry for reference when marketing finished stock and to provide technical leaflets and information on classification matters.

## Agency Services

Agency Services supplied its main customer, the Rural Payments Agency (RPA), with a technical staffing resource,

### Carcases classified by MLC Authentication Services as a percentage of British slaughterings

	2001/2002	2002/2003	2003/2004	2004/2005*
Cattle	53.3%	55.2%	55.6%	55.8%
Sheep	40.9%	44.3%	46.5%	47.6%
Pigs	62.3%	63.7%	63.3%	62.1%

\*Provisional

primarily operating within the OTM and TSE Schemes in the area of control, inspection and supervision. Within Agency Services there was also a small, dedicated team providing services to RPA on a reduced number of commodity products.

The year was dominated by a continued drive by the RPA for efficiencies as part of its Change Programme. As a consequence, there was a withdrawal of the inspection work for the remaining commodity schemes as well as a change to certain supervisory and inspection regimes within the other schemes. As a result, 27 posts responsible for the commodities work were declared redundant.

The remaining team focused on providing continued service provision to the RPA and Defra with regard to the OTM Scheme and TSE Surveillance Scheme and a small commercial contract was maintained with a meat and bone meal incinerator, supervising the destruction of material.

During the latter part of the year, a new financial agreement was negotiated with the RPA for implementation on 1 April 2005. This will be a more appropriate arrangement as the Agency Services business moves towards the post OTM rule period, allowing it to work closely with the RPA and other government departments to deliver a flexible and efficient resource in response to changing control requirements.

## Food Training International (FTI)

FTI continued to be heavily involved with the development and delivery of HACCP (Hazard Analysis and Critical Control Point) training and consultancy.

A contract with the Meat Hygiene Service (MHS) to deliver Intermediate Certificate in HACCP Practice (Meat Plants) accredited training to meat hygiene inspectors was completed in September 2004, with just under 1,000 inspectors trained nationwide.

A further two courses were delivered to MHS Regional Managers and feedback showed that 98% felt the course content was either 'good' or 'excellent'.

FTI also developed and delivered a similar HACCP training programme for a private company contracted to provide the MHS with Official Veterinary Surgeons. In addition, 28 HACCP courses were delivered to staff from four of the major retailers.

A Food Standards Agency (FSA) report 'Evaluation of the Butchers' Licensing Initiative in England' revealed that retail butchers were not carrying out HACCP reviews often enough. To address this issue FTI produced 'The HACCP Review & Guidance Manual', for retail butchers in November 2004. This easy-to-understand manual is supported with the inclusion of a CD-Rom containing all the necessary blank forms, documents and templates for producing HACCP plans. More than 500 manuals had been sold by the end of March 2005.

Closer ties were forged with the Meat Training Council (MTC) and FTI was contracted to rewrite the 'Knowledge and Understanding' guidance for some NVQ modules. In the light of the forthcoming changes to food hygiene legislation proposed for January 2006, FTI and MTC also started working together to develop a HACCP training programme, complete with guidance and support material designed to enable the catering sector to meet the new legislative requirements.

## Economics

Economics publishes a wide range of market information services covering the meat and livestock industry in both Britain and abroad.

Economics continued to work closely with each of the four MLC federal bodies, providing market intelligence for publication on their websites. In particular, Economics was involved in the relaunch of the EBLEX and the HCC websites and the launch of the HCC SMS auction market averages text messaging service.

The store market information collected on behalf of Defra was expanded to include finished cattle and breeding cattle auction market information. This enabled Defra to provide standardised cattle valuations.

Improvements were made to the Economics IT systems which operate the auction market information services. This is part of a long-term development programme designed to make data more accessible to customers. Also over the same period Economics upgraded its customer subscriptions system to a Windows-based package.

The accession of 10 new member states to the European Union in May 2004 increased the number of producers in the EU by over 50%. Economics produced a publication looking at the red meat industries of the new member states



and the impact that these countries would have on the European market. In the past year Economics has extended its role of writing and producing its own publications to include providing editorial to industry journals, such as *Meat Trades Journal* and *Pig World*.

## Industry Consulting (IC)

The focus of IC activity changed during 2004/05 compared with the previous year, with less work carried out for private company clients and more for local councils and regional development bodies, national government and its agencies. All of this work had a basis in advising these organisations on how they can best help the industry to cope with the economic and structural challenges that it faces.

As the year progressed a significant part of the work was related to the potential impact on the industry of the harmonised EU meat hygiene regulations (H1, H2 and H3), due to be introduced in January 2006.

This led at the end of the year to IC being commissioned by Defra and FSA to:

- 1) produce and maintain (on a monthly basis) a national abattoir and cutting plant database (based on trial work completed the previous year) for use by government and its national and regional agencies.
- 2) update the MLC slaughterhouse 'Meat Plant Design Manual' (first prepared in 1993) to meet the H1, H2, H3 standard, and produce two further design manuals to cover cutting and small processing plants. The aim of these is to demonstrate 'best practice'.

IC responded to a large number of enquiries from those interested in possibly building new cutting plants and small abattoirs. It also began to receive a growing number of enquiries about upgrading smaller (and some medium-sized) existing abattoirs and cutting plants.

In addition to this external work, IC continued to carry out a variety of projects for the MLC federal bodies and the RMIF. Much of this was related to its specialised expertise in engineering design, systems and supply chain development. IC also continued to provide specific technical advice in areas as diverse as waste disposal and blood disposal, slaughter-line data capture systems and post farm gate opportunities for grant aid.

In March 2005 IC managed the production of an MLC report for Defra on the impact on the industry of vertebral column

removal for all bovine animals aged over twelve months – a requirement under current EU regulations with which the UK may need to comply when changes are made to the OTM rule.

## MLC Signet Breeding Services

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

During the year the breeding services provided to terminal sire sheep breeders were re-launched and, with Breed Society endorsement, a major recruitment campaign was initiated. Fifty new pedigree breeders signed up to record their flocks, bringing the total to over 650 flocks recorded by Signet.

Signet's breeding services remained at the heart of three large sheep breeding projects identifying high genetic merit breeding stock in Wales, Scotland and the Northern Uplands of England.

Beef recording services were restructured during the reporting period, with six Breed Societies upgrading their in-house databases in order to deliver breeding improvement services directly to their members. Beefbreeder membership grew by approximately 15% amongst those breeds that receive breeding improvement services through Signet.

Signet continued to utilise project work to promote the importance of breeding improvement to the industry. Projects included:

- The management and delivery of a Defra-funded, Agricultural Development Scheme Grant to assist the integration of improved breeding stock into a supermarket lamb supply chain.
- The provision of technical advice to the EBLEX Better Returns Programme to help make English sheep producers aware of the commercial benefits of using better bred terminal sires.
- The project management of the National Scrapie Plan (NSP) Research Project investigating the genetic consequences of selecting sheep according to their Scrapie Genotype.

Signet also invested in a new pedigree and performance database, which will be launched to the industry early in 2006.

## Winterhill Conference Centre (WCC)

The market for conference centres became more competitive in 2004 and WCC continued to pursue a strategy of differentiation through value for money and excellent customer service levels.

To increase awareness of the facilities, WCC undertook a targeted advertising campaign, with particular emphasis on local and web-based advertising channels. This proved to be an effective strategy with increased numbers of enquiries coming from these areas. This helped contribute to WCC achieving its revenue target for the financial year and with stronger, more established client relationships the outlook for the forthcoming year looks positive.

Part of WCC's strategy is to become an established wedding venue in Milton Keynes, maximising use of the Centre during non-core hours. In order to develop this side of the business, the Centre was awarded a civil wedding licence.

## European Food Safety Inspection Service (EFSIS)

EFSIS Holdings is a company limited by guarantee, with two shareholders, the MLC and Campden and Chorleywood Food Research Association. In turn EFSIS Holdings owns 100% of the share capital in EFSIS Limited.

The company is divided into three key business divisions:

### EFSIS Agriculture

Following the merger with FABBL in 2003, the agriculture arm of the EFSIS operation has been branded EFSIS-FABBL, and it went from strength to strength during the last year. It was already the major provider of farm assurance in the beef and lamb sector and during the year it grew its market share significantly in the dairy sector and became the sole provider of beef farm assurance for Bord Bia in Ireland.

By joining forces, EFSIS-FABBL enjoyed increased efficiencies, whilst still delivering a first-class service to its members, including the offer of combined inspections against other sector assurance scheme standards such as Assured Produce, ABPIgs, UFAS and Organic Farmers and Growers.

### EFSIS Food

EFSIS continued to work closely with UK multiple retailers in the provision of an accredited food safety certification service of suppliers producing own-label products. It continued to be market leader in this sector with approximately 65% market share. EFSIS also continued to build on its relationship with key foodservice clients such as McDonald's, Burger King, Starbucks and J D Wetherspoon.

During the year, EFSIS achieved approval to deliver inspection and certification to the International Food Standard (IFS), which is now regularly combined with other services to offer the widest possible portfolio of inspection and certification services to the food industry worldwide.

### EFSIS International

EFSIS has six strategically based European offices operating in Czech Republic, France, Germany, Hungary, Spain and Sweden, providing a local service to many countries across Europe.

In February, the first office outside Europe opened in Thailand, to service the Asia Pacific region. This represented a major expansion for EFSIS, and local retailers and specifiers in the region have shown significant interest in the EFSIS portfolio of services. There are further plans to expand to other parts of the world during 2005/06.

EFSIS increased its EN45011 scope still further during the year, and acts as the certification body for a large number of accredited schemes. These include FABBL, Assured British Pigs, ABM Abattoir, cutting plant and secondary wholesale schemes, Beef Labelling, British Quality Assured Pork and the ABM Transport Scheme. EFSIS also now holds accreditation to EN45004 and EN45012.

# Accounts for the year ended 31 March 2005

## Introduction

The Accounts for the financial year ended 31 March 2005 have been approved by MLC Board of Commissioners and audited by the National Audit Office. In accordance with Section 19(4) of the Agriculture Act 1967 and Section 88(3) of the Scotland Act 1998, the Secretary of State for Environment, Food and Rural Affairs, Scottish Ministers and the Welsh Assembly Government shall lay a copy of the statement of account and report before each House of the UK Parliament, the Scottish Parliament and the National Assembly for Wales.

## Foreword

### History of body and statutory background

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

### Form of accounts

The accounts have been prepared in the form directed by the Secretary of State for Environment, Food and Rural Affairs, Scottish Ministers and the Welsh Assembly Government with the approval of the Treasury in accordance with Section 19(2) of the Agriculture Act 1967. A financial review, complying with the Voluntary Statement Operating and Financial Review issued by the Board, has been included in the Director General's Report. The segmental analyses of General Levy funded operating expenditure and income are in line with the activity identities applied by MLC in preparing and reporting its Corporate Plan to the industry. The accounts include the results of MLC and its subsidiaries.

## 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 2004/05 HCC and QMS had agreements with BPEX for it to implement its strategy in Scotland and 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 coordinate 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 pages 16–17), 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 (see page 47) oversees MLC's financial activities.

## MLC pension scheme

In accordance with Treasury accounting guidelines for the year ended 31 March 2005, MLC has adopted the full accounting requirements of FRS 17: 'Accounting for pension costs'. A key outcome of this is the recognition of a pension asset in the MLC balance sheet, as at 31 March 2005, of

£24.7m. This asset is owned by the MLC Pension Scheme and, in accordance with the Pension Scheme Surpluses (Valuation) Regulations 1987, is not available to MLC under any circumstances. During the year ended 31 March 2005 the employer and active members recommenced contributions to the scheme.

## Review of the year and future developments

Key features of the year ended 31 March 2005 that have influenced the federal MLC work streams were the announcement of CAP reform implementation details, increased impetus behind the planned ending of the OTM rule, import pressures in the pig sector and the implementation of aspects of the Government's Health White Paper.

Promotional activity within EBLEX was relatively high during the period, when compared with previous years, due to the launch of its branding proposition for quality beef and lamb during the final quarter of the financial year.

In terms of future developments, we anticipate the continuation of the EBLEX branding programme over the first quarter of 2005/06 will generate a further substantial operating deficit during the year to 31 March 2006.

Defra has put into effect a fundamental review of British levy bodies which will report during 2005/06 and may impact on us in a number of ways.

Increased globalisation, the expectation of further trade liberalisation through the WTO, strong world demand for red meat, together with CAP reform in the EU, pose challenges to the competitiveness of the British meat and livestock industry. MLC has identified this as a strategic issue that it needs to help the industry respond to and, ideally, turn into market opportunities.

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

## MLC Board of Commissioners

The names of the Chairman and other Commissioners at 31 March 2005 are listed at the beginning of this report (see page 8). There were no appointments or retirements during the year.

## Government agency work

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

## Fixed assets

MLC's freehold properties were re-valued as at 31 March 2003. Details of the movements in tangible fixed assets and revaluation reserve during the year are set out in Notes 15 and 23 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.

## Employee matters

The average number of full- and part-time staff employed by MLC (EBLEX, BPEX, the MLC Executive and MLC Commercial Services) during the year was 589, compared with 635 the previous year. Of those, 120 were funded from the levy. The other 469 worked either within MLC Commercial Services, and were funded from fees earned from commercial activities, or within other fee-earning and grant-supported areas.

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 its views are considered when decisions are made that are likely to affect the interests of employees. It is also kept informed on MLC's financial status and business performance. Communication with all employees continues through organisation notices, written and face-to-face

briefings and the general circulation of the Director General's Whitley Council Report.

MLC's commitment to health and safety is demonstrated through the implementation of its Health and Safety Policy. Health and safety issues are identified and administered by the MLC Health and Safety Committee. During the year guidance was circulated to all employees on safer driving legislation, including an update on the use of mobile telephones whilst driving. In addition, a health and safety newsletter was circulated to all staff.

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

We have an Equal Opportunities Code of Practice and a Harassment Policy Procedure in place. Both of these are published in the Terms and Conditions of Employment that all employees hold and training on Equal Treatment has been delivered to staff. During 2004 elements of the Conditions of Service were updated and circulated to all staff.

## Corporate governance

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

## Board of Commissioners

MLC Board of Commissioners meets ten times a year and exercises full and effective control over MLC. There are eleven Commissioners including the Chairman and Deputy Chairman, appointed jointly by the Secretary of State for Environment, Food and Rural Affairs, Scottish Ministers and the Welsh Assembly Government. Commissioners are independent of management and are paid their remuneration and expenses, as determined by the Secretary of State, from public funds. (A list of Commissioners is given on page 8).

## 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. Board members for the federal bodies are listed on page 19 – BPEX, page 27 – EBLEX, [www.hccmpw.org.uk](http://www.hccmpw.org.uk) – HCC and [www.qmscotland.co.uk](http://www.qmscotland.co.uk) – QMS.

## Audit Committee

The Audit Committee is comprised entirely of Commissioners, and has written terms of reference which include provision for regular discussions with the external auditors and MLC's Internal Audit Manager. The Audit Committee met four times last year. 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 9.)

## Management Committee

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

## Remuneration Committee

The pay and benefits of the Director General and other Directors are determined by this Committee, which is comprised entirely of Commissioners. The Committee takes appropriate advice from specialist sources.

## Going concern

In deciding to prepare the accounts on a going concern basis, the Board of Commissioners reviewed MLC's budget for 2005/06, and the three-year Corporate Plan for 2005–2008 in the context of expected levies, other income and consequent cash flow implications. The Board of Commissioners has a reasonable expectation that MLC has adequate resources to continue in operational existence for the foreseeable future. For this reason it continues to adopt the going concern basis in preparing MLC's financial statements.

## 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 annual three-year Corporate Plan, both of which are public documents and can be found on the MLC website. 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 MLC and a copy can be found on the MLC website, [www.mlc.org.uk](http://www.mlc.org.uk).

## Citizen's Charter

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

## Director General's responsibilities

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

# 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 responsibility incorporates all activities within MLC including EBLEX, BPEX, the MLC Executive and MLC's Commercial Services.

This responsibility also extends to HCC. My review of the effectiveness of HCC's system of internal control is informed by my seat on the HCC board and its Audit Committee. A separate statement on the system of internal control for HCC can be found in its Annual Report and Accounts 2005.

## 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 twelve months ended 31 March 2005 and up to the date of approval of the annual report and accounts, and accords with Treasury guidance.

## Capacity to handle risk

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

The Company Secretary and Financial Controller attended a conference, 'Integrating and Implementing Risk Management and Corporate Governance in the Public Sector', during January 2005. This was a valuable exercise as it allowed us to appreciate current best practice within the public sector.

With the help of our Internal Auditors, PricewaterhouseCoopers (PwC), we have developed a formal Risk Management Policy for MLC which has been communicated to staff via MLC's intranet. This initiative represents a clear achievement in embedding a risk management culture within MLC. We have also continued with the process of incorporating an explicit risk management component into all MLC managers' job descriptions.

During the last 18 months we have developed a corporate plan framework for MLC's federal bodies, which incorporates a very clear and explicit risk management component. This will ensure that key risks are identified at the planning phase and an appropriate control environment constructed to manage these pro-actively.

## The risk and control framework

### MLC's risk management policy

MLC's risk management policy constitutes a key element of its internal control and corporate governance framework. The policy explains MLC's approach to risk management, documents the roles and responsibilities of the Commissioners, Directors, the Risk Management Team and other key parties. It also outlines MLC's approach to risk and key aspects of the risk management process, and identifies the main reporting procedures. The policy describes the process MLC will use to evaluate the effectiveness of its internal control procedures.

During the year our risk management policy was updated, both in the context of developments in current best practice and the changes brought about by devolution.

### MLC's risk register

MLC has an organisation-wide risk register which was set up to act as a repository of identified risks and is used as a monitoring tool by management to assess the status of outstanding actions required to strengthen MLC's control environment. The identified risks within the register are subject to a robust prioritisation methodology based on risk ranking and cost-benefit analysis.

It was identified during the previous financial year that MLC's risk register needed updating, particularly in the context of developments within its devolved federal structure. A series of risk assessment interviews were conducted between MLC and PwC staff during March 2004 and the output from this formed the basis of a risk management workshop to tie in with the further development of our new register on 8 June 2004. Our new 'issues-themed' risk register was completed during September 2004 and was widely circulated to all Senior Managers within MLC.

To help us focus our efforts on addressing those risks that are most important, we assess them in terms of how likely they are and the magnitude of the consequences if they were to occur. We use a standard approach of giving each risk a relative score and depending on a combination of its likelihood and its impact, quantify the probability of the risk occurring and the potential impact or consequences if a risk materialises. Once an identified risk has been assessed, an appropriate response is developed based on the level of risk and urgency.

### MLC's Business Continuity Plan

MLC has a comprehensive Business Continuity Plan (BCP), the purpose of which is should a 'disaster' occur at its head office location, it would be possible to identify ways and means of continuing to operate its core activities. A dedicated Business Continuity Team was established to coordinate MLC's activities in this area.

### MLC's annual control risk self-assessment process

MLC is required to complete an annual control risk self-assessment questionnaire by PwC. The assessment relating to last year was a challenging but valuable process with a general improvement in scoring, year-on-year.

### Review of effectiveness

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

I have been advised on the implications of my review of the effectiveness of the system of internal control by the Board

of Commissioners and the Audit Committee. A plan is in place to address weaknesses and ensure continuous improvement of the system.

### The Board of Commissioners

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

### MLC's Audit Committee

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

In reviewing the effectiveness of MLC's system of 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 that they were complete and consistent with the information known to Committee members; assessed whether the financial statements reflect appropriate accounting principles. Met with management and the external auditors to review the financial statements and the results of the audit.

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



**External audit:** Reviewed the external auditors' proposed audit scope and approach and ensured no unjustified restrictions or limitations had been placed on the scope. Reviewed the performance of the external auditors. Considered the independence of the external auditor, including reviewing the range of services provided in the context of all services acquired by MLC. Ensured that significant findings and recommendations made by the external auditors were received and discussed on a timely basis. Ensured that management responded to recommendations by the external auditors.

**Open Audit Committee meeting:** Part of the February 2005 Audit Committee meeting was 'open' to industry stakeholders to provide them with the necessary assurance that their levy contributions were being effectively deployed and managed within a strong and robust corporate governance and control environment. An open meeting is held on an annual basis.

### MLC's Management Committee

Management Committee members are responsible for ensuring that risks have been properly identified and assessed across their work areas. They are responsible for agreeing the risk register for their work areas and for ensuring that each department is actively addressing the risks and escalating risks up to the Management Committee for their attention as appropriate.

### MLC's risk management team

MLC's risk management team is made up of a number of nominated senior managers who act as divisional risk 'champions' responsible for disseminating good practice throughout the organisation, implementing the specific actions identified in MLC's risk register and updating the register in the light of any current or anticipated developments that may impact on MLC's ability to achieve its objectives.

### Internal audit

MLC's internal audit function is outsourced to PricewaterhouseCoopers (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. MLC has an Internal Audit Charter

which sets out the purpose, authority and responsibilities of internal audit.

In accordance with the Government Internal Audit Standards, the scope of internal audit encompasses the whole of the MLC's risk management practices, governance practices and internal controls. PwC's agreed work plan is derived from MLC's assessment and evaluation of risks as documented in the risk register. PwC prepared an internal audit plan based on the risk profile determined in the register.

The strategic and annual internal audit plans were discussed and agreed with the Audit Committee on 23 February 2004, 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 have been completed in accordance with the agreed 2004/05 plan, or agreement reached to defer or cancel the scheduled reviews. These reviews are detailed below, together with other activity undertaken by Internal Audit:

- Review methods for capturing levy data.
- IT general computer controls review to assess different aspects of the control environment on a rolling basis to include security of systems data and virus controls.
- Review reward strategy and structure to assess current recruitment, retention, remuneration, performance measurement and staff development issues.
- Financial controls review of accounts payable, accounts receivable, general ledger and banking. This incorporated a review of the controls surrounding the collection of levy income.
- Review of federal body satisfaction with the services provided by the MLC Executive.

In summary, these reviews generated 10 medium-level and 13 low-level recommendations, a good proportion of which were actioned by management during the year. In broad terms, good progress has been made in improving financial controls and continuing to embed controls to manage relationships between MLC's federal bodies.

In addition, internal audit was requested to validate the pre-devolution combined operating reserves assigned to devolved bodies, as referred to in Note 23: capital and reserves. Furthermore, 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.

At the end of the year, the Internal Auditor reported that overall, the controls reviewed were satisfactory. The areas reviewed were those identified through MLC's assessment and evaluation of risk. There is further scope to improve the risk management, governance and internal control processes in line with emerging best practice.

## MLC responsibilities for the financial statements

Under the Agriculture Act, as amended, 1967 MLC is required to prepare a statement of accounts for each financial year in the form and on the basis determined by the Secretary of State for Environment, Food and Rural Affairs, and the Welsh Assembly Government with the consent of the Treasury. The accounts are prepared on an accruals basis and must show a true and fair view of the financial position of MLC and the group at the year-end and of the income and expenditure and cash flows of the group for the financial year.

In preparing the accounts MLC is required to:

- Observe the Accounts Direction issued by the Secretary of State, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis.
- Make judgements and estimates on a reasonable basis
- State whether applicable accounting standards have been followed and disclose any material departures in the financial statements.
- Prepare the financial statements on a going concern basis unless it is not appropriate to presume that MLC will continue in operation.

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

The Board of Commissioners is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of MLC and the group to enable it to ensure that the accounts comply with the Agriculture Act, as amended, 1967. It is also responsible for safeguarding the assets of the organisation and the group and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The maintenance and integrity of MLC's website is the responsibility of MLC; the work carried out by the auditors does not involve consideration of these matters, and accordingly, the auditors accept no responsibility for any changes that may have occurred to the accounts since they were initially presented on the website.

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

By order of the Meat and Livestock Commission

**Kevin Roberts**  
**Director General**  
**Meat and Livestock Commission**

# Meat and Livestock Commission

## The Certificate and Report of the Comptroller and Auditor General to both Houses of Parliament and the National Assembly for Wales

I certify that I have audited the financial statements on pages 54 to 87 under the Agriculture Act 1967 as amended by the Government Resources and Accounts Act 2000 (Audit of Public Bodies), Order 2003 and by the National Assembly for Wales (Transfer of Functions) Order 1999 (SI 1999/672) Schedule 1, Article 2. These financial statements have been prepared under the historical cost convention as modified by the revaluation of certain fixed assets and the accounting policies set out on pages 58 and 59.

### Respective responsibilities of the Meat and Livestock Commission, the Director General and the Auditor

As described on pages 47 and 51 respectively, the Director General and Commission are responsible for the preparation of the financial statements in accordance with the Agriculture Act 1967 as amended and Ministerial directions made thereunder and for ensuring the regularity of financial transactions. The Meat and Livestock Commission is also responsible for the preparation of the other contents of the Annual Report. My responsibilities, as independent auditor, are established by statute and I have regard to the standards and guidance issued by the Auditing Practices Board and the ethical guidance applicable to the auditing profession.

I report my opinion as to whether the financial statements give a true and fair view and are properly prepared in accordance with the Agriculture Act 1967 as amended and Ministerial directions made thereunder, and whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them. I also report if, in my opinion, the Foreword is not consistent with the financial statements, if the Commission has not kept proper accounting records, or if I have not received all the information and explanations I require for my audit.

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 certificate if I become aware of any apparent misstatements or material inconsistencies with the financial statements.

I review whether the statement on pages 48 to 51 reflects the Commission's compliance with Treasury's guidance on the Statement on Internal Control. I report if it does not meet the requirements specified by Treasury, or if the statement is misleading or inconsistent with other information I am aware of from my audit of the financial statements. I am not required to consider, nor have I considered whether the Accounting Officer's Statement on Internal Control covers all risks and controls. I am also not required to form an opinion on the effectiveness of the Commission's corporate governance procedures or its risk and control procedures.

### Basis of audit opinion

I conducted my audit in accordance with United Kingdom Auditing Standards issued by the Auditing Practices Board. An audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements. It also includes an assessment of the significant estimates and judgements made by the Meat and Livestock Commission and Director General in the preparation of the financial statements, and of whether the accounting policies are appropriate to the Commission's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements are free from material misstatement, whether caused by error, or by fraud or other irregularity 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 have also evaluated the overall adequacy of the presentation of information in the financial statements.

## Hybu Cig Cymru (Meat Promotion Wales)

### Opinion

In my opinion:

- the financial statements give a true and fair view of the state of affairs of the Meat and Livestock Commission at 31 March 2005 and of the surplus, total recognised gains and losses and cash flows for the year then ended and have been properly prepared in accordance with the Agriculture Act 1967 as amended and directions made thereunder by Ministers; and
- in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

I have no observations to make on these financial statements. See also my Report on Hybu Cig Cymru (Meat Promotion Wales).

**John Bourn**  
**Comptroller and Auditor General**  
**National Audit Office**

157–197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

**22 June 2005**

## The Report of the Comptroller and Auditor General to both Houses of Parliament and the National Assembly for Wales

The Meat and Livestock Commission delegated its activities in Wales to Hybu Cig Cymru (HCC). However, the Accounting Officer for the Meat and Livestock Commission retained accountability to Parliament for the activities of HCC. HCC is a company limited by guarantee and therefore has auditors appointed under the Companies Act.

My staff have discussed the results of the audit process with the registered auditors of HCC in order for me to obtain assurance that no issues have arisen of which I should make Parliament aware.

The Annual Report and Accounts of Hybu Cig Cymru are presented to the House of Commons pursuant to section 19 of the Agriculture Act 1967.

**John Bourn**  
**Comptroller and Auditor General**  
**National Audit Office**

157–197 Buckingham Palace Road  
Victoria  
London SW1W 9SP

**22 June 2005**

The maintenance and integrity of the Meat and Livestock Commission's website is the responsibility of the Accounting Officer; the work carried out by the auditors does not involve consideration of these matters and accordingly the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

## Consolidated income and expenditure account

	Note	For the year ended 31 Mar 05	For the year ended 31 Mar 04
		£'000	£'000
<b>Income – continuing operations</b>			
Gross levy, fee and other income	3	47,792	48,842
Levy transfers to QMS/HCC	3	(7,336)	(7,285)
HM Government agency and related services	4	2,245	2,466
		<b>42,701</b>	<b>44,023</b>
<b>Expenditure – continuing operations</b>			
Levy and other operating expenditure	3	(44,451)	(40,886)
HM Government agency and related services	4	(2,129)	(2,339)
		<b>(46,580)</b>	<b>(43,225)</b>
<b>(Deficit)/surplus on ordinary activities before interest and taxation</b>	9	<b>(3,879)</b>	<b>798</b>
<b>Interest payable</b>	12	<b>–</b>	<b>–</b>
<b>Interest receivable</b>	13	<b>345</b>	<b>187</b>
<b>Other finance income</b>	11(4)	<b>4,100</b>	<b>2,700</b>
<b>Surplus on ordinary activities before taxation</b>		<b>566</b>	<b>3,685</b>
<b>Taxation</b>	14	<b>(273)</b>	<b>(139)</b>
<b>Surplus for the year on ordinary activities after taxation</b>		<b>293</b>	<b>3,546</b>
<b>Minority interests</b>		<b>(57)</b>	<b>(22)</b>
<b>Retained surplus for the financial year</b>		<b>236</b>	<b>3,524</b>
<b>Allocated to accumulated funds</b>			
General		1,624	(1,992)
Beef promotion		(906)	1,270
Lamb promotion		(877)	2,670
Pork and bacon promotion		395	1,576
	23	<b>236</b>	<b>3,524</b>

## Statement of total recognised gains and losses

	For the year ended 31 Mar 05	For the year ended 31 Mar 04
	£'000	£'000
Surplus for the financial year	236	3,524
Actuarial (loss)/gain recognised in the pension scheme (Note 11(5))	(700)	18,800
<b>Total gains and losses relating to the year</b>	<b>(464)</b>	<b>22,324</b>

## Consolidated balance sheet

	Note	As at 31 Mar 05		As at 31 Mar 04	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	15		4,674		4,813
Goodwill arising on acquisition	16		113		148
			<b>4,787</b>		<b>4,961</b>
<b>Current assets</b>					
Stocks	18	51		43	
Debtors – amounts falling due within one year	19	8,329		6,892	
Defra Fund	20	4,466		4,335	
Short term investments – cash on deposit		5,000		6,500	
PIDS Fund	21	65		63	
Cash at bank and in hand		5,275		5,320	
		<b>23,186</b>		<b>23,153</b>	
<b>Creditors – amounts falling due within one year</b>	22	<b>(11,925)</b>		<b>(10,259)</b>	
<b>Net current assets</b>			<b>11,261</b>		<b>12,894</b>
<b>Total assets less current liabilities</b>			<b>16,048</b>		<b>17,855</b>
<b>Creditors – amounts falling due after more than one year</b>	22		<b>(116)</b>		<b>(150)</b>
<b>Provisions for liabilities and charges</b>	20		<b>(4,468)</b>		<b>(4,337)</b>
<b>Net assets excluding pension asset</b>			<b>11,464</b>		<b>13,368</b>
<b>Pension asset – MLC Pension Fund</b>	11(6)		<b>24,700</b>		<b>23,200</b>
<b>Net assets including pension asset</b>			<b>36,164</b>		<b>36,568</b>
<b>Capital and Reserves accumulated funds</b>					
Restricted fund – Pension	23	20,751		21,451	
General	23	3,991		2,354	
Beef promotion	23	3,168		4,074	
Lamb promotion	23	3,390		4,267	
Pork and bacon promotion	23	4,124		3,729	
		<b>14,673</b>		<b>14,424</b>	
			<b>35,424</b>		<b>35,875</b>
Revaluation reserve	23		667		680
Minority interests			73		13
			<b>36,164</b>		<b>36,568</b>

The accounts were approved by the Board of Commissioners at a meeting on 26 May 2005 and signed on its behalf by:

**P E Barr**  
CHAIRMAN

**K J Roberts**  
DIRECTOR GENERAL

## Commission balance sheet

	Note	As at 31 Mar 05		As at 31 Mar 04	
		£'000	£'000	£'000	£'000
<b>Fixed assets</b>					
Tangible assets	15		4,640		4,781
Investments	17		–		–
			<b>4,640</b>		<b>4,781</b>
<b>Current assets</b>					
Stocks	18	51		43	
Debtors – amounts falling due within one year	19	7,521		6,226	
Defra Fund	20	4,466		4,335	
Short term investments – cash on deposit		5,000		6,500	
PIDS Fund	21	65		63	
Cash at bank and in hand		4,341		4,237	
		<b>21,444</b>		<b>21,404</b>	
<b>Creditors – amounts falling due within one year</b>	22	<b>(10,183)</b>		<b>(8,338)</b>	
<b>Net current assets</b>			<b>11,261</b>		<b>13,066</b>
<b>Total assets less current liabilities</b>			<b>15,901</b>		<b>17,847</b>
<b>Creditors – amounts falling due after more than one year</b>	22		<b>(116)</b>		<b>(150)</b>
<b>Provisions for liabilities and charges</b>	20		<b>(4,468)</b>		<b>(4,337)</b>
<b>Net assets excluding pension asset</b>			<b>11,317</b>		<b>13,360</b>
<b>Pension asset – MLC Pension Fund</b>	11(6)		<b>24,700</b>		<b>23,200</b>
<b>Net assets including pension asset</b>			<b>36,017</b>		<b>36,560</b>
<b>Capital and Reserves</b>					
<b>Accumulated funds</b>					
Restricted fund – Pension	23	20,751		21,451	
General	23	3,917		2,359	
Beef promotion	23	3,168		4,074	
Lamb promotion	23	3,390		4,267	
Pork and bacon promotion	23	4,124		3,729	
		<b>14,599</b>		<b>14,429</b>	
			<b>35,350</b>		<b>35,880</b>
Revaluation reserve	23		667		680
			<b>36,017</b>		<b>36,560</b>

The accounts were approved by the Board of Commissioners at a meeting on 26 May 2005 and signed on its behalf by:

**P E Barr**  
CHAIRMAN

**K J Roberts**  
DIRECTOR GENERAL

## Consolidated cash flow statement

	Note	For the year ended 31 Mar 05	For the year ended 31 Mar 04
		£'000	£'000
Net cash (outflow)/inflow from operating activities		(505)	2,539
Returns on investments and servicing of finance	25a	345	187
Taxation – Group		(1,068)	(169)
Capital expenditure and financial investment	25b	(184)	(275)
		(1,412)	2,282
Management of liquid resources		1,500	(6,500)
Financing – Loan repayments	25c	–	(22)
Increase/(decrease) in cash		88	(4,240)
<b>Reconciliation of net cash flow to movement in net funds</b>			
Increase/(decrease) in cash for the period	25c	88	(4,240)
Cash to repay loans		–	22
(Decrease)/increase in liquid resources		(1,500)	6,500
		(1,412)	2,282
Total net funds at 1 April		16,218	13,936
Total net funds at 31 March		14,806	16,218
<b>Reconciliation of operating (deficit)/surplus to net cash (outflow)/inflow from operating activities</b>			
(Deficit)/surplus on ordinary activities before interest		(3,879)	798
Depreciation		325	380
Goodwill amortisation		35	13
Current pension service cost		1,900	2,600
(Surplus)/deficit on disposal of fixed assets		(2)	9
(Increase)/decrease in stocks		(8)	97
(Increase)/decrease in debtors		(1,437)	3,684
Increase/(decrease) in creditors		2,561	(5,042)
Net cash (outflow)/inflow from operating activities		(505)	2,539



# 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 Non-Departmental Public Bodies' Annual Reports and Accounts Guidance and meet, where appropriate for a Non-Departmental Public Body (NDPB), the provisions of the Companies Act 1985 and conform with applicable United Kingdom Statements of Accounting Practice and Financial Reporting Standards. A summary of the more important accounting policies, which have been applied consistently, is set out below.

MLC has fully adopted the accounting requirements of FRS 17 – Retirement benefits.

### Consolidation

MLC's subsidiaries have been consolidated with the results of MLC under the acquisition method of accounting. Here, the whole of the assets, liabilities, revenues and expenses of the subsidiaries are combined with those of MLC. The figures for Minority Interests indicate how much of the profits and net assets are attributable to the interests of stakeholders in subsidiaries which are not wholly owned by the group.

### Tangible fixed assets

Tangible fixed assets are stated at cost, except freehold properties which are stated at a valuation. Net surpluses arising out of the inclusion of property valuations in the accounts are taken to the revaluation reserve.

Depreciation is provided so as to write off the net cost or valuation of tangible fixed assets over their estimated useful lives. The following annual rates of depreciation are applied on a straight-line basis:

Freehold property:	2.5%–10%
Motor vehicles:	33.3%–40%
Equipment:	20%–33.3%

Freehold land is not depreciated. Certain small value items of capital expenditure are written-off in the year of purchase.

### 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 2005 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.

### 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 profit in respect of the defined benefit scheme are 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 profit and loss account if the benefits have vested. If the benefits have not vested

immediately, the costs are recognised over the period until vesting occurs. The interest cost and the expected return on assets are shown as a net amount of other finance costs or credits adjacent to interest. Actuarial gains and losses are recognised immediately in the statement of total recognised gains and losses.

Defined benefit schemes are funded, with the assets of the scheme held separately from those of the group, in separate trustee administered funds. Pension scheme assets are measured at fair value and liabilities are measured on an actuarial basis using the projected unit method and discounted at a rate equivalent to the current rate of return on a high quality corporate bond of equivalent currency and term to the scheme liabilities. The actuarial valuations are obtained at least triennially and are updated at each balance sheet date. The resulting defined benefit asset or liability, net of the related deferred tax, is presented separately after other net assets on the face of the balance sheet.

### Research and development

Expenditure on research and development is charged to the income and expenditure account as incurred.

### Foreign currency translation

MLC translates those of its currency transactions that are outstanding at the end of the year using the rate of exchange at the balance sheet date.

MLC includes exchange differences that have arisen on transactions completed during the year in its income and expenditure account.

### Goodwill

Goodwill is calculated as the difference between the net realisable value of assets acquired and the consideration paid for those assets.

Goodwill is amortised, on a straight-line basis, over the period of its anticipated useful economic life (see note 16: Goodwill).

## 2. Financial performance

	2004/05	2003/04	2002/03	2001/02	2000/01
	£m	£m	£m	£m	£m
<b>Summary results – Group</b>					
Gross levy (inc PIDS levy)	26.3	26.8	29.6	27.0	32.8
Net levy transfers to QMS/HCC	(7.0)	(7.0)	–	–	–
Fee and other income	21.1	21.7	25.2	27.2	19.2
HM Government agency	2.3	2.5	2.1	1.8	2.1
Total operating income	42.7	44.0	56.9	56.0	54.1
Operating expenditure	(46.6)	(43.2)	(43.2)	(54.9)	(53.0)
Operating (deficit)/surplus	(3.9)	0.8	13.7	1.1	1.1
Other net income/(expenditure)					
– Interest	0.3	0.2	(0.1)	–	–
– Taxation	(0.3)	(0.2)	(1.4)	(0.6)	–
– Other finance income	4.1	2.7	2.7	–	–
– Minority interests	–	–	–	–	0.3
Surplus/(deficit) for the year	0.2	3.5	14.9	0.5	1.4

	2004/05		2003/04 Actual	2002/03 Actual	2001/02 Actual	2000/01 Actual
	Actual	Target				
<b>Performance indicators</b>						
<b>MLC has set itself the target of making services self-funding</b>						
Services to industry income as a percentage of expenditure	103.58	100.00	102.64	108.45	110.07	102.09
<b>MLC is seeking further improvements in staff productivity</b>						
Staff costs per £1 expenditure of levy dependent activities	0.19	0.22	0.23	0.20	0.20	0.17
Staff numbers per £1m expenditure of levy dependent activities (adjusted for changes in the Retail Price Index)	6.00	7.51	7.70	6.20	6.80	5.75
<b>MLC seeks to restrict long-term borrowings to a minimum</b>						
Long-term borrowings as a percentage of capital and reserves	0.00%	0.00%	0.00%	0.00%	0.27%	0.70%

MLC has set itself the target of making services self-funding – a target for services to industry income as a percentage of expenditure has been set at 100%.

MLC has set itself the target of improving staff productivity ratios by 2.5% per annum.

### 3. Analysis of levy, fee and other income and expenditure

	General Fund	Species Promotion Funds			Total
		Beef	Lamb	Pork and Bacon	
Note	5	6	7	8	
<b>For the year ended 31 March 2005</b>	£'000	£'000	£'000	£'000	£'000
<b>Income</b>					
Gross levy	11,865	4,365	4,956	5,147	26,333
Pig Industry Development Scheme levy	–	–	–	–	–
Levy transfer to Quality Meat Scotland (QMS) (Note 27)	(1,788)	(1,183)	(465)	(464)	(3,900)
Levy transfer to Hybu Cig Cymru (HCC) (Note 27)	(1,678)	(317)	(1,428)	(13)	(3,436)
Levy transfer from QMS/HCC	299	–	–	13	312
Fee and other income	21,068	–	65	14	21,147
<b>Total income</b>	<b>29,766</b>	<b>2,865</b>	<b>3,128</b>	<b>4,697</b>	<b>40,456</b>
<b>Expenditure</b>					
Expenses of levy collection	(244)	(59)	(141)	(90)	(534)
Pig Industry Development Scheme loan repayment	–	–	–	–	–
Operating expenditure	(31,889)	(3,788)	(3,945)	(4,295)	(43,917)
<b>Total expenditure</b>	<b>(32,133)</b>	<b>(3,847)</b>	<b>(4,086)</b>	<b>(4,385)</b>	<b>(44,451)</b>
<b>Deficit on levy, fee and other income</b>	<b>(2,367)</b>	<b>(982)</b>	<b>(958)</b>	<b>312</b>	<b>(3,995)</b>
<b>For the year ended 31 March 2004</b>					
<b>Income</b>					
Gross levy	11,824	4,392	4,886	5,143	26,245
Pig Industry Development Scheme levy	573	–	–	–	573
Levy transfer to QMS (Note 27)	(1,807)	(1,196)	(468)	(472)	(3,943)
Levy transfer to HCC (Note 27)	(1,631)	(324)	(1,375)	(12)	(3,342)
Levy transfer from QMS/HCC	294	–	–	12	306
Fee and other income	20,674	19	1,009	16	21,718
<b>Total income</b>	<b>29,927</b>	<b>2,891</b>	<b>4,052</b>	<b>4,687</b>	<b>41,557</b>
<b>Expenditure</b>					
Expenses of levy collection	(255)	(67)	(144)	(88)	(554)
Pig Industry Development Scheme loan repayment	(573)	–	–	–	(573)
Operating expenditure	(33,646)	(1,623)	(1,382)	(3,108)	(39,759)
<b>Total expenditure</b>	<b>(34,474)</b>	<b>(1,690)</b>	<b>(1,526)</b>	<b>(3,196)</b>	<b>(40,886)</b>
<b>Surplus on levy, fee and other income</b>	<b>(4,547)</b>	<b>1,201</b>	<b>2,526</b>	<b>1,491</b>	<b>671</b>

#### 4. HM Government agency and related services

	For the year ended 31 Mar 05	For the year ended 31 Mar 04
	£'000	£'000
<b>Income</b>		
Rural Payments Agency	2,040	2,306
Agriculture Departments	205	160
	<b>2,245</b>	<b>2,466</b>
<b>Expenditure</b>		
Market Support measures for the Rural Payments Agency	(1,937)	(2,189)
Price reporting on behalf of Agriculture Departments	(192)	(150)
	<b>(2,129)</b>	<b>(2,339)</b>
<b>Surplus</b> (Note 5)	<b>116</b>	<b>127</b>

## 5. MLC group: general fund

	For the year ended 31 Mar 05	For the year ended 31 Mar 04
	£'000	£'000
<b>Income</b>		
Gross levy	11,865	11,824
Pig Industry Development Scheme levy	–	573
Expenses of collection	(244)	(255)
Net levy before transfers to QMS/HCC	11,621	12,142
Levy transfer to Quality Meat Scotland (QMS) (Note 27)	(1,788)	(1,807)
Levy transfer to Hybu Cig Cymru (HCC) (Note 27)	(1,678)	(1,631)
Levy transfers from QMS and HCC	299	294
Net levy after transfers (to)/from QMS/HCC	8,454	8,998
<b>Fee income</b>		
Marketing	457	18
Export marketing	111	397
Industry development	2,524	1,148
Commercial Services	14,451	15,214
Science and technology transfer	1,537	1,533
Other income	545	645
External devolved body 'buy-back'	1,443	1,719
	21,068	20,674
Total net income	29,522	29,672
<b>Operating expenditure</b>		
Marketing	(2,793)	(3,559)
Export marketing	(1,207)	(1,247)
Industry development	(3,528)	(2,875)
Commercial Services	(13,984)	(14,886)
Research	(1,276)	(1,580)
Science and technology transfer	(2,954)	(3,096)
Industry communications and species management	(3,481)	(2,742)
Other expenditure	(366)	(1,061)
Pig Industry Development Scheme loan repayment	–	(573)
Current pension service cost (Note 11(4))	(2,300)	(2,600)
Total operating expenditure	(31,889)	(34,219)
<b>Deficit on ordinary activities before interest</b>	(2,367)	(4,547)
<b>Interest payable</b> (Note 12)	–	–
<b>Interest allocation</b> (Note 13)	105	(111)
<b>Other finance income</b> (Note 11(4))	4,100	2,700
<b>Surplus/(deficit) on ordinary activities before taxation</b>	1,838	(1,958)
<b>Taxation</b> (Note 14)	(273)	(139)
<b>Surplus/(deficit) for the year on ordinary activities after taxation</b>	1,565	(2,097)
<b>Minority interests</b>	(57)	(22)
<b>Surplus/(deficit) for the year on ordinary activities after minority interests</b>	1,508	(2,119)
<b>Surplus on HM Government agency and related services</b> (Note 4)	116	127
<b>Surplus/(deficit) for the financial year</b> (Note 23)	1,624	(1,992)

## 5a. EBLEX: general fund

	For the year ended 31 Mar 05	For the year ended 31 Mar 04
	£'000	£'000
<b>Income</b>		
Gross levy	5,451	5,464
Pig Industry Development Scheme levy	–	–
Expenses of collection	(118)	(149)
Net levy before transfers to QMS/HCC	5,333	5,315
Levy transfer to Quality Meat Scotland (QMS) (Note 27)	–	–
Levy transfer to Hybu Cig Cymru (HCC) (Note 27)	–	–
Levy transfers from QMS and HCC	–	–
Net levy after transfers (to)/from QMS/HCC	5,333	5,315
<b>Fee income</b>		
Marketing	305	11
Export marketing	74	234
Industry development	1,683	677
Commercial Services	–	–
Science and technology transfer	725	394
Other income	542	501
External devolved body 'buy-back'	–	–
	3,329	1,817
Total net income	8,662	7,132
<b>Operating expenditure</b>		
Marketing	(1,564)	(1,916)
Export marketing	(504)	(552)
Industry development	(2,104)	(1,483)
Commercial Services	–	–
Research	(280)	(264)
Science and technology transfer	(1,168)	(1,240)
Industry communications and species management	(2,324)	(1,821)
Other expenditure	–	–
Pig Industry Development Scheme loan repayment	–	–
Current pension service cost (Note 11(4))	–	–
Total operating expenditure	(7,944)	(7,276)
<b>Surplus/(deficit) on ordinary activities before interest</b>	718	(144)
<b>Interest payable</b> (Note 12)	–	–
<b>Interest allocation</b> (Note 13)	–	–
<b>Other finance income</b> (Note 11(4))	–	–
<b>Surplus/(deficit) on ordinary activities before taxation</b>	718	(144)
<b>Taxation</b> (Note 14)	–	–
<b>Surplus/(deficit) for the year on ordinary activities after taxation</b>	718	(144)
<b>Minority interests</b>	–	–
<b>Surplus/(deficit) for the year on ordinary activities after minority interests</b>	718	(144)
<b>Surplus on HM Government agency and related services</b> (Note 4)	–	–
<b>Surplus/(deficit) for the financial year</b>	718	(144)

The above analysis details EBLEX's direct share of general fund operating expenditure. Please note that the total of the analyses detailed in notes 5a and 5b does not equal the total group general fund analysis presented in note 5.

## 5b. BPEX: general fund

	For the year ended 31 Mar 05	For the year ended 31 Mar 04
	£'000	£'000
<b>Income</b>		
Gross levy	2,873	2,866
Pig Industry Development Scheme levy	–	573
Expenses of collection	(49)	(50)
Net levy before transfers to QMS/HCC	2,824	3,389
Levy transfer to Quality Meat Scotland (QMS) (Note 27)	–	–
Levy transfer to Hybu Cig Cymru (HCC) (Note 27)	–	–
Levy transfers from QMS and HCC	299	294
Net levy after transfers (to)/from QMS/HCC	3,123	3,683
<b>Fee income</b>		
Marketing	152	7
Export marketing	37	163
Industry development	841	471
Commercial Services	–	–
Science and technology transfer	812	1,139
Other income	3	144
External devolved body 'buy-back'	–	–
	1,845	1,924
Total net income	4,968	5,607
<b>Operating expenditure</b>		
Marketing	(806)	(1,259)
Export marketing	(402)	(411)
Industry development	(1,176)	(1,008)
Commercial Services	–	–
Research	(875)	(1,133)
Science and technology transfer	(1,529)	(1,535)
Industry communications and species management	(657)	(563)
Other expenditure	–	–
Pig Industry Development Scheme loan repayment	–	(573)
Current pension service cost (Note 11(4))	–	–
Total operating expenditure	(5,445)	(6,482)
<b>Deficit on ordinary activities before interest</b>	(477)	(875)
<b>Interest payable</b> (Note 12)	–	–
<b>Interest allocation</b> (Note 13)	–	–
<b>Other finance income</b> (Note 11(4))	–	–
<b>Deficit on ordinary activities before taxation</b>	(477)	(875)
<b>Taxation</b> (Note 14)	–	–
<b>Deficit for the year on ordinary activities after taxation</b>	(477)	(875)
<b>Minority interests</b>	–	–
<b>Deficit for the year on ordinary activities after minority interests</b>	(477)	(875)
<b>Surplus on HM Government agency and related services</b> (Note 4)	–	–
<b>Deficit for the financial year</b>	(477)	(875)

The above analysis details BPEX's direct share of general fund operating expenditure. Please note that the total of the analyses detailed in notes 5a and 5b does not equal the total group general fund analysis presented in note 5.



## 5c. MLC group: combined promotion funds

	For the year ended 31 Mar 05	For the year ended 31 Mar 04
	£'000	£'000
<b>Income</b>		
Gross levy	14,468	14,421
Expenses of collection	(290)	(299)
Net levy before transfers to QMS/HCC	14,178	14,122
Levy transfer to Quality Meat Scotland (Note 27)	(2,112)	(2,136)
Levy transfer to Hybu Cig Cymru (Note 27)	(1,758)	(1,711)
Levy transfers from QMS and HCC	13	12
Net levy after transfers to QMS/HCC	10,321	10,287
Fee income	79	1,044
Total net income	10,400	11,331
<b>Operating expenditure</b>		
Consumer advertising and promotion	(6,416)	(1,831)
Trade development and promotion	(3,057)	(2,433)
Food service	(1,163)	(776)
Consumer research	(260)	(284)
European Quality Beef	(127)	–
Export trade development	(339)	(196)
Supply chain	(666)	(593)
Total operating expenditure	(12,028)	(6,113)
<b>Operating (deficit)/surplus on ordinary activities before interest</b>	(1,628)	5,218
<b>Interest payable</b> (Note 12)	–	–
<b>Interest allocation</b> (Note 13)	240	298
<b>(Deficit)/surplus on ordinary activities before taxation</b>	(1,388)	5,516
<b>Taxation</b> (Note 14)	–	–
<b>(Deficit)/surplus for the year on ordinary activities after taxation</b> (Note 23)	(1,388)	5,516

## 6. EBLEX: beef promotion fund

	For the year ended 31 Mar 05	For the year ended 31 Mar 04
	£'000	£'000
<b>Income</b>		
Gross levy	2,845	2,860
Expenses of collection	(39)	(55)
Net levy before transfers to QMS/HCC	2,806	2,805
Levy transfer to Quality Meat Scotland (Note 27)	–	–
Levy transfer to Hybu Cig Cymru (Note 27)	–	–
Net levy after transfers to QMS/HCC	2,806	2,805
Fee income	–	19
Total net income	2,806	2,824
<b>Operating expenditure</b>		
Consumer advertising and promotion	(2,176)	(689)
Trade development and promotion	(927)	(605)
Food service	(523)	(242)
Consumer research	(35)	(87)
European Quality Beef	(127)	–
Total operating expenditure	(3,788)	(1,623)
<b>Operating (deficit)/surplus on ordinary activities before interest</b>	<b>(982)</b>	<b>1,201</b>
<b>Interest payable</b> (Note 12)	<b>–</b>	<b>–</b>
<b>Interest allocation</b> (Note 13)	<b>76</b>	<b>69</b>
<b>(Deficit)/surplus on ordinary activities before taxation</b>	<b>(906)</b>	<b>1,270</b>
<b>Taxation</b> (Note 14)	<b>–</b>	<b>–</b>
<b>(Deficit)/surplus for the year on ordinary activities after taxation</b> (Note 23)	<b>(906)</b>	<b>1,270</b>

## 7. EBLEX: lamb promotion fund

	For the year ended 31 Mar 05	For the year ended 31 Mar 04
	£'000	£'000
<b>Income</b>		
Gross levy	3,009	3,001
Expenses of collection	(87)	(102)
Net levy before transfers to QMS/HCC	2,922	2,899
Levy transfer to Quality Meat Scotland (Note 27)	–	–
Levy transfer to Hybu Cig Cymru (Note 27)	–	–
Net levy after transfers to QMS/HCC	2,922	2,899
Fee income	65	1,009
Total net income	2,987	3,908
<b>Operating expenditure</b>		
Consumer advertising and promotion	(2,534)	(510)
Trade development and promotion	(754)	(461)
Food service	(273)	(94)
Consumer research	(45)	(121)
Export trade development	(339)	(196)
Total operating expenditure	(3,945)	(1,382)
<b>Operating (deficit)/surplus on ordinary activities before interest</b>	(958)	2,526
<b>Interest payable</b> (Note 12)	–	–
<b>Interest allocation</b> (Note 13)	81	144
<b>(Deficit)/surplus on ordinary activities before taxation</b>	(877)	2,670
<b>Taxation</b> (Note 14)	–	–
<b>(Deficit)/surplus for the year on ordinary activities after taxation</b> (Note 23)	( 877)	2,670

## 8. BPEX: pork and bacon promotion fund

	For the year ended 31 Mar 05	For the year ended 31 Mar 04
	£'000	£'000
<b>Income</b>		
Gross levy	4,663	4,665
Expenses of collection	(83)	(94)
Net levy before transfers to QMS/HCC	4,580	4,571
Levy transfer to Quality Meat Scotland (QMS) (Note 27)	–	–
Levy transfer to Hybu Cig Cymru (HCC) (Note 27)	–	–
Levy transfers from QMS and HCC	13	12
Net levy after transfers to QMS/HCC	4,593	4,583
Fee income	14	16
Total net income	4,607	4,599
<b>Operating expenditure</b>		
Consumer advertising and promotion	(1,706)	(632)
Trade development and promotion	(1,376)	(1,367)
Food service	(367)	(440)
Consumer research	(180)	(76)
Supply chain	(666)	(593)
Total operating expenditure	(4,295)	(3,108)
<b>Operating surplus on ordinary activities before interest</b>	312	1,491
<b>Interest payable</b> (Note 12)	–	–
<b>Interest allocation</b> (Note 13)	83	85
<b>Surplus for the year before taxation</b>	395	1,576
<b>Taxation</b> (Note 14)	–	–
<b>Surplus for the year on ordinary activities after taxation</b> (Note 23)	395	1,576

## 9. (Deficit)/surplus on ordinary activities before interest

	For the year ended 31 Mar 05	For the year ended 31 Mar 04
	£'000	£'000
<b>(Deficit)/surplus on ordinary activities before interest is stated after charging/(crediting)</b>		
Depreciation of tangible fixed assets	325	380
Amortisation of goodwill	35	13
(Profit)/loss on sale of tangible assets	(2)	9
Leasehold property rents	141	170
Hire of equipment under operating leases	69	88
Vehicle leases	671	870
Auditors' remuneration:		
Audit fees, of which the Commission was £40k	48	42
Non-audit services	84	78
Research and development	1,276	1,580

## 10. Employees

	For the year ended 31 Mar 05	For the year ended 31 Mar 04
<b>Numbers employed</b>		
The average numbers employed by MLC during the year were:		
<b>Commercial activities</b>		
Commercial Services	439	483
<b>Other fee-earning and grant-supported activities</b>		
Signet Breeding Services	15	16
Stotfold Pig Unit	5	6
Red Meat Industry Forum	10	2
	<b>30</b>	<b>24</b>
<b>Levy dependent activities</b>		
Consumer, trade and export marketing	31	40
Industry development	10	18
Research and development and technical support	18	19
Species strategy and communications	8	9
Directorate, finance, personnel and internal services	26	26
EBLEX	24	14
BPEX	3	2
	<b>120</b>	<b>128</b>
	<b>589</b>	<b>635</b>
<b>Staff costs</b>		
	£'000	£'000
Salaries	14,401	14,855
Aggregate travelling and subsistence	1,673	1,962
Social security costs	1,364	1,358
Other pension costs – current service costs (note 11(4))	2,300	2,600
	<b>19,738</b>	<b>20,775</b>

## 10. Employees (continued)

### Directors' detailed emoluments

	For the year ended 31 Mar 05			For the year ended 31 Mar 04
	Salary and fees	Benefits	Total	
	£'000	£'000	£'000	£'000
Kevin Roberts, Director General	135	10	145	136
Richard Lowe, Consumer Affairs Director	100	7	107	100
Bob Bansback, Corporate Strategy Director (until 30 June 2004)	25	2	27	97
Mike Attenborough, Technical Director	91	8	99	96
	<b>351</b>	<b>27</b>	<b>378</b>	<b>429</b>

Benefits-in-kind include the provision of a company car and private health cover.

### Directors' pension entitlement

Set out below are details of the pension benefits accrued at and earned by each of the executive directors during the year to 31 March 2005.

	For the year ended 31 Mar 05		For the year ended 31 Mar 04
	Accrued entitlement	Real terms increase in year	
	£'000	£'000	£'000
Kevin Roberts, Director General	32	5	27
Richard Lowe, Consumer Affairs Director	12	3	9
Bob Bansback, Corporate Strategy Director (until 30 June 2004)	56	–	56
Mike Attenborough, Technical Director	18	3	15
	<b>118</b>	<b>11</b>	<b>107</b>

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.

## 10. Employees (continued)

### Emoluments of members of the Board of Commissioners

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 Board of Commissioners were as follows:

	For the year ended 31 Mar 05				For the year ended 31 Mar 04
	Salary & fees payable by Defra	Expenses payable by Defra	Salary & fees payable by MLC	Total	
	£	£	£	£	£
Peter Barr, Chairman	70,960	41,645	–	112,605	73,812
Paul Kirk, Deputy Chairman	20,450	4,153	6,000	30,603	24,592
Richard Moody, Chair: Consumers Committee	17,385	5,133	–	22,518	22,540
Helen Browning	10,225	2,696	–	12,921	12,557
Rees Roberts	10,225	–	–	10,225	10,112
John Cross	10,225	6,229	25,000	41,454	36,157
Stewart Houston	10,225	16,065	10,000	36,290	32,225
Richard Cracknell	10,225	–	–	10,225	10,471
Kevin Hawkins	10,225	–	–	10,225	10,112
Neil Stoddart	10,225	4,868	–	15,093	15,291
Jim Walker	10,225	–	–	10,225	10,112
Neil Kilpatrick (until 31 March 2003)	–	–	–	–	238
	<b>190,595</b>	<b>80,789</b>	<b>41,000</b>	<b>312,384</b>	<b>258,219</b>

During the year Commissioner Paul Kirk was paid an honorarium of £6k by MLC for his chairmanship of the MLC Board of Pension Trustees (2004: £0); Commissioner John Cross was paid an honorarium of £25k by MLC for his chairmanship of the English Beef and Lamb Executive (2004: £25k); and Commissioner Stewart Houston was paid an honorarium of £10k by MLC for his chairmanship of the British Pig Executive (2004: £10k). £21k of expenses payable by Defra for Peter Barr during the year related to the year ended 31 March 2004.



## 11. Pensions

### 1) Information about the Scheme

a. The Commission operates one approved retirement benefit arrangement in the UK, encompassing both a defined benefit section and a defined contribution section. This disclosure covers the Defined Benefit section of the Meat and Livestock Commission Pension Scheme which is closed to new members.

b. The most recent actuarial valuation of the Scheme was carried out as at 1 April 2003 along with an interim actuarial assessment as at 31 December 2004. The FRS 17 figures have been based on updating the valuation to 31 March 2005 by qualified actuaries.

### 2) Financial assumptions

These are set out in the table below.

	31 Mar 05 % pa	31 Mar 04 % pa	31 Mar 03 % pa
Price inflation	2.75	2.75	2.50
Rate of increase in pay	4.25	4.25	4.50
Rate of increase of pensions in payment*	2.75	2.75	2.50
Rate of increase for deferred pensioners*	2.75	2.75	2.50
Discount rate	5.40	5.50	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 05	Value at 31 Mar 05	Long-term rate of return expected 31 Mar 04	Value at 31 Mar 04	Long-term rate of return expected on 31 Mar 03	Value at 31 Mar 03
	% pa	£m	% pa	£m	% pa	£m
UK equities	8.40	56.2	8.70	70.7	8.70	60.8
Overseas equities	8.40	38.3	8.70	36.5	8.70	29.9
Bonds (UK and overseas)	4.80	94.1	4.90	72.5	4.90	63.2
Cash (including net current assets and investment income due)	3.75	0.3	3.75	0.0	4.00	1.6
<b>Total value of assets</b>	<b>6.20</b>	<b>188.9</b>	<b>7.10</b>	<b>179.7</b>	<b>7.10</b>	<b>155.5</b>

#### 4) Components of defined benefit cost for the year ended 31 March 2005

##### Analysis of amounts charged to operating profit:

	Year ended 31 Mar 05	Year ended 31 Mar 04
	£m	£m
a. Current service cost	2.3	2.6
b. Past service costs	0.0	0.0
c. Previously unrecognised surplus deducted from past service costs	0.0	0.0
<b>d. Total charged to operating profit</b>	<b>2.3</b>	<b>2.6</b>

##### Analysis of other amounts charged to profit and loss account:

	Year ended 31 Mar 05	Year ended 31 Mar 04
	£m	£m
e. (Gain)/loss on settlements	0.0	0.0
f. Previously unrecognised surplus deducted from settlement loss	0.0	0.0
g. (Gain)/loss on curtailment	0.0	0.0
h. Previously unrecognised surplus deducted from curtailment loss	0.0	0.0
<b>i. Net (gain) loss charged to P&amp;L account</b>	<b>0.0</b>	<b>0.0</b>

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

	Year ended 31 Mar 05	Year ended 31 Mar 04
	£m	£m
j. Interest on Scheme liabilities	8.4	8.0
k. Expected return on assets in the Scheme	(12.5)	(10.7)
l. Net credit to other finance income	(4.1)	(2.7)
<b>Total P&amp;L charge before deduction for tax d + i + l</b>	<b>(1.8)</b>	<b>(0.1)</b>

##### Analysis of the amounts recognised in STRGL:

	Year ended 31 Mar 05	Year ended 31 Mar 04
	£m	£m
m. Gain on assets	(4.7)	(21.00)
n. Experience loss on liabilities	2.7	0.0
o. Loss on change of assumptions (financial and demographic)	2.7	2.2
<b>p. Total loss/(gain) recognised in STRGL before adjustment for tax</b>	<b>0.7</b>	<b>(18.8)</b>

## 5) History of experience gains and losses

	Year ended 31 Mar 05	Year ended 31 Mar 04	Year ended 31 Mar 03
<b>a. (Gain) loss on Scheme assets</b>			
Amount (£m)	(4.7)	21.0	40.7
% of Scheme assets at end of year	2.50%	11.70%	26.20%
<b>b. Experience loss/(gain) on Scheme liabilities</b>			
Amount (£m)	2.7	0.0	(22.0)
% of Scheme liabilities at end of year	1.60%	0.00%	14.50%
<b>c. Total actuarial loss/(gain) recognised in STRGL</b>			
Amount (£m)	0.7	(18.8)	25.3
% of Scheme liabilities at end of year	0.40%	12.00%	16.60%

## 6) Reconciliation to the balance sheet

	Year ended 31 Mar 05 £m	Year ended 31 Mar 04 £m	Year ended 31 Mar 03 £m
<b>a. Market value of Scheme assets</b>	188.9	179.7	155.5
<b>b. Actuarial value of Scheme liabilities*</b>	(164.2)	(156.5)	(152.1)
<b>c. Surplus in the Scheme</b>	24.7	23.2	3.4
<b>d. Irrecoverable surplus</b>	0.0	0.0	0.0
<b>e. Pension asset recognised in balance sheet (before allowance for deferred tax)</b>	24.7	23.2	3.4

\* In line with paragraph 21 of FRS 17, the Scheme's liabilities as at 31 March 2003 were increased to reflect the past practice whereby some of the available surplus is utilised for the benefit of the members. This practice has not been continued for the 31 March 2004 liabilities and an adjustment for the 2003 year is reflected in the analysis of surplus below.

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

	Year ended 31 Mar 05 £m	Year ended 31 Mar 04 £m
Surplus in the Scheme at beginning of year	23.2	3.4
Change in practice of valuing Scheme's liabilities in line with paragraph 21 of FRS 17	0.0	0.9
Contributions paid	0.4	0.0
Current service cost	(2.3)	(2.6)
Past service cost	0.0	0.0
Settlement cost	0.0	0.0
Curtailement cost	0.0	0.0
Other finance income	4.1	2.7
Actuarial (loss)/gain	(0.7)	18.8
<b>Surplus in the Scheme at end of year</b>	<b>24.7</b>	<b>23.2</b>

## 12. Interest payable

	For the year ended 31 Mar 05	For the year ended 31 Mar 04
	£'000	£'000
<b>Interest payable</b>		
Bank interest payable	-	-
	-	-
<b>Allocated to accumulated funds</b>		
General fund	-	-
Beef promotion	-	-
Lamb promotion	-	-
Pork and bacon promotion	-	-
	-	-

## 13. Interest receivable

	For the year ended 31 Mar 05	For the year ended 31 Mar 04
	£'000	£'000
<b>Interest receivable</b>	345	187
<b>Allocated to accumulated funds</b>		
General fund	105	(111)
Beef promotion	76	69
Lamb promotion	81	144
Pork and bacon promotion	83	85
	345	(187)

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

## 14. Taxation

	For the year ended 31 Mar 05	For the year ended 31 Mar 04
	£'000	£'000
<b>Current tax</b>		
UK corporation tax on profits for the period	(273)	(139)
Adjustments in respect of previous periods	–	–
Total current tax	(273)	(139)
<b>Deferred tax</b>		
Origination and reversal of timing differences (ACA and other)	–	–
Total deferred tax	–	–
Tax on profit on ordinary activities	(273)	(139)
<b>Allocated to accumulated funds</b>		
General	(273)	(139)
Beef promotion	–	–
Lamb promotion	–	–
Pork and bacon promotion	–	–
	(273)	(139)

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.

The tax assessed for the year differs from the standard rate of corporation tax in the UK (30%). The differences are explained above.

	For the year ended 31 Mar 05	For the year ended 31 Mar 04
	£'000	£'000
Profit on ordinary activities before tax	566	3,685
Profit on ordinary activities multiplied by standard rate in the UK 30%	170	1,106
<b>Effects of:</b>		
Surplus on non-taxable activities	103	(967)
Expenses deductible for tax purposes	–	–
Adjustments to tax charge in respect of previous period	–	–
Current tax charge for the year	273	139

## 15. Tangible assets

Group	Freehold property	Motor vehicles	Equipment	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
As at 1 April 2004	4,690	96	1,633	6,419
Additions	–	–	195	195
Disposals	–	(11)	(313)	(324)
<b>As at 31 March 2005</b>	<b>4,690</b>	<b>85</b>	<b>1,515</b>	<b>6,290</b>
<b>Depreciation</b>				
As at 1 April 2004	(167)	(79)	(1,360)	(1,606)
Charge for year	(168)	–	(157)	(325)
Relating to disposals	–	8	307	315
<b>As at 31 March 2005</b>	<b>(335)</b>	<b>(71)</b>	<b>(1,210)</b>	<b>(1,616)</b>
<b>Net book amount as at 31 March 2005</b>	<b>4,355</b>	<b>14</b>	<b>305</b>	<b>4,674</b>
Net book amount as at 31 March 2004	4,523	17	273	4,813

MLC	Freehold property	Motor vehicles	Equipment	Total
	£'000	£'000	£'000	£'000
<b>Cost or valuation</b>				
As at 1 April 2004	4,690	96	1,593	6,379
Additions	–	–	175	175
Disposals	–	(11)	(313)	(324)
<b>As at 31 March 2005</b>	<b>4,690</b>	<b>85</b>	<b>1,455</b>	<b>6,230</b>
<b>Depreciation</b>				
As at 1 April 2004	(167)	(79)	(1,352)	(1,598)
Charge for year	(168)	–	(139)	(307)
Relating to disposals	–	8	307	315
<b>As at 31 March 2005</b>	<b>(335)</b>	<b>(71)</b>	<b>(1,184)</b>	<b>(1,590)</b>
<b>Net book amount as at 31 March 2005</b>	<b>4,355</b>	<b>14</b>	<b>271</b>	<b>4,640</b>
Net book amount as at 31 March 2004	4,523	17	241	4,781

## 15. Tangible assets (continued)

Freehold properties were valued at 31 March 2003 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 Drake and Partners, Chartered Surveyors. The present amount, after disposals, arising from this valuation is £4,690k. In the opinion of Douglas Duff, Chartered Surveyors, the value of freehold property at 31 March 2005 is not materially different to the carrying value.

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 2005 of freehold property according to the historical cost convention is:		<b>£'000</b>
	Cost	<b>6,900</b>
	Depreciation	<b>(3,212)</b>
	Net book amount	<b><u>3,688</u></b>

## 16. Goodwill

Goodwill is calculated as the difference between the net realisable value of assets acquired and the fair value consideration paid for those assets.

The original Goodwill of £36k is being amortised on a straight-line basis over a period of 5 years and arose on the acquisition of Food Certification Limited (now EFSIS Certification Limited) in January 2001. This acquisition was made through EFSIS Holdings Limited, a subsidiary of MLC.

The Goodwill arising last year of £139k is being amortised on a straight-line basis over a period of 5 years and arose on the acquisition of Farm Assured British Beef and Lamb Limited (FABBL) in November 2003. This acquisition was made through EFSIS Holdings Limited, a subsidiary of MLC.

	£'000
<b>Cost</b>	
At 1 April 2004	175
Arising in the year	0
<b>At 31 March 2005</b>	<b>175</b>
<b>Aggregate amortisation</b>	
At 1 April 2004	27
Charge for the year	35
<b>At 31 March 2005</b>	<b>62</b>
<b>Net book amount at 31 March 2005</b>	<b>113</b>
Net book amount at 31 March 2004	148

## 17. Investments

### EFSIS Holdings Limited

EFSIS Holdings Limited is a company limited by guarantee. MLC has a 60% stake in the venture, Campden and Chorleywood Food Research Association (CCFRA) holding the remaining 40%. EFSIS Holdings Limited owns 100% of the issued share capital of EFSIS Limited and EFSIS Certification Limited, a dormant company.

EFSIS Limited provides an independent audit service designed for the food, drink and allied industries and has offices in Milton Keynes. It is registered in England and Wales.

## 18. Stocks

	Group As at 31 Mar 05	MLC As at 31 Mar 05	Group As at 31 Mar 04	MLC As at 31 Mar 04
	£'000	£'000	£'000	£'000
Animals	35	35	33	33
Ancillary farm stocks and other materials	16	16	10	10
	<b>51</b>	<b>51</b>	<b>43</b>	<b>43</b>

## 19. Debtors

	Group As at 31 Mar 05	MLC As at 31 Mar 05	Group As at 31 Mar 04	MLC As at 31 Mar 04
	£'000	£'000	£'000	£'000
Amounts falling due within one year				
Levy income receivable	2,600	2,600	2,421	2,421
Debtors for fee and other income	1,706	795	1,917	968
Amounts owed by subsidiary undertakings	–	155	–	285
Prepayments and accrued income	896	844	833	831
Deferred tax (Note 14)	56	56	56	56
Rural Payments Agency	1,628	1,628	1,256	1,256
Department for Environment, Food and Rural Affairs	1,443	1,443	409	409
	<b>8,329</b>	<b>7,521</b>	<b>6,892</b>	<b>6,226</b>



## 20. Defra underwrite for redundancy

	Group As at 31 Mar 05	MLC As at 31 Mar 05	Group As at 31 Mar 04	MLC As at 31 Mar 04
	£'000	£'000	£'000	£'000
As at 1 April	(4,337)	(4,337)	(4,140)	(4,140)
<b>Amounts received and applied for:</b>				
Expenses incurred	68	68	(49)	(49)
Interest	(199)	(199)	(148)	(148)
As at 31 March	(4,468)	(4,468)	(4,337)	(4,337)
Defra fund	4,466	4,466	4,335	4,335
Net claims to be submitted to Defra	2	2	2	2
Provision as above	4,468	4,468	4,337	4,337

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 is due to expire in March 2010. Notwithstanding, should the Secretary of State at any time decide in her discretion that there is no possibility of any liability arising, then she may terminate the agreement by giving MLC written notice of this decision.

## 21. PIDS fund

	Group As at 31 Mar 05	MLC As at 31 Mar 05	Group As at 31 Mar 04	MLC As at 31 Mar 04
	£'000	£'000	£'000	£'000
As at 1 April	(63)	(63)	(3,347)	(3,347)
Amounts invoiced	–	–	(573)	(573)
Interest	(2)	(2)	(94)	(94)
Loan repayment 31 December 2003	–	–	3,951	3,951
As at 31 March	(65)	(65)	(63)	(63)
PIDS fund	65	65	63	63
Debtors as at 31 March	–	–	–	–
Provision as above	65	65	63	63

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 2001/2002, on 31 December 2003.

## 22. Creditors

	Group As at 31 Mar 05	MLC As at 31 Mar 05	Group As at 31 Mar 04	MLC As at 31 Mar 04
	£'000	£'000	£'000	£'000
<b>Amounts falling due within one year</b>				
Bank loan	–	–	–	–
Trade creditors	(7,618)	(7,423)	(4,510)	(4,405)
Redundancy creditor (net)	(39)	(39)	(306)	(306)
Accruals and deferred income	(2,186)	(1,215)	(2,561)	(1,652)
Other creditors	(1,091)	(680)	(839)	(206)
Corporation tax	(455)	(365)	(1,250)	(1,250)
Other taxation and social security	(471)	(396)	(730)	(456)
PIDS fund (Note 21)	(65)	(65)	(63)	(63)
	<b>(11,925)</b>	<b>(10,183)</b>	<b>(10,259)</b>	<b>(8,338)</b>
<b>Amounts falling due after more than one year</b>				
Redundancy creditor (net)	<b>(116)</b>	<b>(116)</b>	<b>(150)</b>	<b>(150)</b>

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 05	MLC As at 31 Mar 05	Group As at 31 Mar 04	MLC As at 31 Mar 04
	£'000	£'000	£'000	£'000
<b>Amounts falling due within one year</b>				
Redundancy compensation payments	(360)	(360)	(468)	(468)
Less amounts receivable from:				
Rural Payments Agency	321	321	429	429
	<b>(39)</b>	<b>(39)</b>	<b>(39)</b>	<b>(39)</b>
<b>Amounts falling due after more than one year</b>				
Redundancy compensation payments	(728)	(728)	(1,059)	(1,059)
Less amounts receivable from:				
Rural Payments Agency	612	612	909	909
	<b>(116)</b>	<b>(116)</b>	<b>(150)</b>	<b>(150)</b>

## 23. Capital and reserves

Group	Pension Fund	General Fund	Species Promotion Funds			Total
			Beef	Lamb	Pork and bacon	
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Accumulated funds</b>						
Balance as at 1 April 2004	21,451	2,354	4,074	4,267	3,729	35,875
Pension scheme movements (Note 11): Actuarial loss	(700)	–	–	–	–	(700)
Change in practice of valuing scheme's liabilities	–	–	–	–	–	–
Transfer of excess depreciation on revalued assets	–	13	–	–	–	13
Surplus/(deficit) for the year	–	1,624	(906)	(877)	395	236
<b>Balance as at 31 March 2005</b>	<b>20,751</b>	<b>3,991</b>	<b>3,168</b>	<b>3,390</b>	<b>4,124</b>	<b>35,424</b>

MLC	Pension Fund	General Fund	Species Promotion Funds			Total
			Beef	Lamb	Pork and bacon	
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Accumulated funds</b>						
Balance as at 1 April 2004	21,451	2,359	4,074	4,267	3,729	35,880
Pension scheme movements (Note 11): Actuarial loss	(700)	–	–	–	–	(700)
Change in practice of valuing scheme's liabilities	–	–	–	–	–	–
Transfer of excess depreciation on revalued assets	–	13	–	–	–	13
Surplus/(deficit) for the year	–	1,545	(906)	(877)	395	157
<b>Balance as at 31 March 2005</b>	<b>20,751</b>	<b>3,917</b>	<b>3,168</b>	<b>3,390</b>	<b>4,124</b>	<b>35,350</b>

<b>Revaluation Reserve</b>	£'000
Balance as at 1 April 2004	680
Transfer of excess depreciation on revalued assets	(13)
<b>Balance as at 31 March 2005</b>	<b>667</b>

During the year 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, we have earmarked reserves available for drawdown of £0.6m and £0.5m for QMS and HCC respectively. As at 31 March 2005 no request to release earmarked reserves had been received from QMS or HCC.

## 24. 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: £157k (2004: £3,497k)

## 25. Notes to the cashflow statement

	For the year ended 31 Mar 05	For the year ended 31 Mar 04
	£'000	£'000
<b>Note 25a Returns on investments and servicing of finance</b>		
Interest paid	–	–
Interest received	345	187
	<b>345</b>	<b>187</b>
<b>Note 25b Capital expenditure and financial investment</b>		
Payments to acquire tangible fixed assets	(195)	(156)
Payments to acquire intangible fixed assets	–	(139)
Receipts from sale of tangible fixed assets	11	20
	<b>(184)</b>	<b>(275)</b>

	1 April 2004	Cash flow	31 March 2005
	£'000	£'000	£'000
<b>Note 25c Analysis of net funds</b>			
<b>Cash at bank and in hand:</b>			
Defra Fund	4,335	131	4,466
PIDS Fund	63	2	65
Cash at bank and in hand	5,320	(45)	5,275
	9,718	88	9,806
Bank loan falling due within one year	–	–	–
Short term investments – cash on deposit	6,500	(1,500)	5,000
<b>Total</b>	<b>16,218</b>	<b>(1,412)</b>	<b>14,806</b>

## 26. Financial commitments

	Group As at 31 Mar 05	MLC As at 31 Mar 05	Group As at 31 Mar 04	MLC As at 31 Mar 04
	£'000	£'000	£'000	£'000
<b>Capital expenditure commitments</b>				
Contracted for	2	2	22	22
<b>Approved research projects</b>				
Within one year	938	938	1,195	1,195
Thereafter	837	837	768	768
	<b>1,775</b>	<b>1,775</b>	<b>1,963</b>	<b>1,963</b>
<b>Operating leases</b>				
As at 31 March 2005 MLC was committed to payments in the following year in respect of non-cancellable operating leases, which expire as follows:				
<b>Property</b>				
Within one year	20	20	20	20
Between two and five years	53	53	71	71
	<b>73</b>	<b>73</b>	<b>91</b>	<b>91</b>
<b>Vehicles</b>				
Within one year	82	82	119	119
Between two and five years	267	262	455	455
	<b>349</b>	<b>344</b>	<b>574</b>	<b>574</b>
<b>Equipment</b>				
Within one year	11	11	9	9
Between two and five years	27	27	40	40
	<b>38</b>	<b>38</b>	<b>49</b>	<b>49</b>

## 27. 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. These transactions are exempt from disclosure under FRS 8, 'Related party disclosures', as the results of the entity are consolidated into the Whole of Government Accounts which are publicly available from The Stationery Office.

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 levy to the value of £3.9m (2004: £3.9m) to QMS to finance its own operations.

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 funds to the value of £3.4m (2004: £3.3m) to HCC to finance its own operations.

All other transactions are with subsidiaries within the group and exempt from disclosure under FRS 8.

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# Glossary of abbreviations

<b>ABM</b>	Assured British Meat	<b>MoD</b>	Ministry of Defence
<b>ABPigs</b>	Assured British Pigs	<b>MP</b>	Member of Parliament
<b>BCMS</b>	British Cattle Movement Service	<b>MTC</b>	Meat Training Council
<b>BHA</b>	British Hospitality Association	<b>NAO</b>	National Audit Office
<b>BMPA</b>	British Meat Processors' Association	<b>NDPB</b>	Non-Departmental Public Body
<b>BPEX</b>	British Pig Executive	<b>NFU</b>	National Farmers' Union
<b>BRC</b>	British Retail Consortium	<b>NFUS</b>	National Farmers' Union Scotland
<b>BRP</b>	Better Returns Programme	<b>NHS</b>	National Health Service
<b>BSE</b>	Bovine Spongiform Encephalopathy	<b>NSP</b>	National Scrapie Plan
<b>CAP</b>	Common Agricultural Policy	<b>NPA</b>	National Pig Association
<b>DBES</b>	Date-Based Export Scheme	<b>NVQ</b>	National Vocational Qualification
<b>Defra</b>	Department for Environment, Food and Rural Affairs	<b>OTM</b>	Over Thirty Month
<b>DTI</b>	Department of Trade and Industry	<b>OTMS</b>	Over Thirty Month Scheme
<b>EBLEX</b>	English Beef and Lamb Executive	<b>PDNS</b>	Porcine Dermatitis Nephropathy Syndrome
<b>EFSIS</b>	European Food Safety Inspection Service	<b>PGI</b>	Protected Geographical Indication
<b>EU</b>	European Union	<b>PMWS</b>	Post-weaning Multi-systemic Wasting Syndrome
<b>FABBL</b>	Farm Assured British Beef and Lamb	<b>PROBE</b>	Promoting Business Excellence
<b>FACE</b>	Farming and Countryside Education	<b>PSFPI</b>	Public Sector Food Procurement Initiative
<b>FDf</b>	Food and Drink Federation	<b>QMS</b>	Quality Meat Scotland
<b>FMD</b>	Foot and Mouth Disease	<b>QSM</b>	Quality Standard Mark
<b>FSA</b>	Food Standards Agency	<b>R&amp;D</b>	Research and Development
<b>FTI</b>	Food Training International	<b>RDAs</b>	Regional Development Agencies
<b>FVO</b>	Food and Veterinary Office	<b>RMIF</b>	Red Meat Industry Forum
<b>HACCP</b>	Hazard Analysis and Critical Control Point	<b>RPA</b>	Rural Payments Agency
<b>HCC</b>	Hybu Cig Cymru (Meat Promotion Wales)	<b>RPG</b>	Research Priorities Group
<b>IC</b>	Industry Consulting	<b>SAMW</b>	Scottish Association of Meat Wholesalers
<b>IFS</b>	International Food Standard	<b>TI</b>	Technology Interaction
<b>IPPC</b>	Integrated Pollution Prevention and Control	<b>TSE</b>	Transmissible Spongiform Encephalopathy
<b>IT</b>	Information Technology	<b>UFAS</b>	UKASTA Feed Assurance Scheme
<b>MHS</b>	Meat Hygiene Service	<b>UK</b>	United Kingdom
<b>MLC</b>	Meat and Livestock Commission	<b>VIA</b>	Video Image Analysis
		<b>WCC</b>	Winterhill Conference Centre
		<b>WTO</b>	World Trade Organisation
		<b>ZAP</b>	Zoonoses Action Plan







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