

QUALITY MEAT SCOTLAND

ANNUAL REPORT AND ACCOUNTS

For the 12 Months to 31 March 2019

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Performance Report**1. Purpose**

Welcome to Quality Meat Scotland's annual report and accounts for 2018/19. Our purpose is to support the Scottish red meat industry to improve its efficiency, profitability and sustainability. In this rapidly-changing world there is much uncertainty and we have been working hard through our marketing, industry development, quality assurance and economic services activities to deliver strongly for the industry. This includes supporting the Scottish red meat industry, developing the Scottish red meat industry, promoting the Scottish red meat industry and protecting the Scottish red meat industry.

Through our education, public relations and communications activities we have engaged both with the sector and with consumers to promote the high standards that exist throughout the whole supply chain. The majority of QMS's annual spend (around 70%) is devoted to consumer-facing activities promoting our world class, globally-recognised brands - Scotch Beef PGI, Scotch Lamb PGI and Specially Selected Pork.

Our overall strategy going forward is "to support the development of a sustainable, professional, resilient and profitable Scottish red meat industry which makes an important contribution to Scotland Food & Drink's target of £30bn by 2030".

This strategy is aligned with the Scottish Government's economic strategy of increasing sustainable economic growth and the next phase of Scotland's National Food and Drink Policy - Becoming a Good Food Nation as well as Scotland Food & Drink's "Ambition 2030" vision.

I am pleased to report that we are in a strong position to continue this important work. With our strong track record of effective delivery and the resilience to continue to support the sector, we are able to react quickly to challenges and opportunities as they arise.

2. Overview**Introduction**

The accounts have been prepared in accordance with a direction, given by the Scottish Ministers, in accordance with Section 12(5) of the Quality Meat Scotland Order 2008. The direction is reproduced at the end of these accounts.

Financial Results

The results for the year to 31 March 2019 are shown on page 21, together with the notes on pages 25 to 32.

QMS made an operating deficit, before bank interest, of £36K for the year to 31 March 2019 (2017/18 - £81K deficit).

In February 2018 the Board approved a budgeted deficit for the 2018/19 year of £150k. The budgeted deficit was planned to ensure that we could meet our strategic objectives taking into account the forecasted decrease in levy income. This was achieved utilising Balance Sheet reserves in line with the agreed Reserves policy. The resultant 2018/19 deficit of £24.5k was less than budget due in part to areas of planned activity being funded through the repatriation of levy, ring-fenced fund.

Background to Quality Meat Scotland

Quality Meat Scotland Ltd was formed in 2000 and was a private, not for profit company limited by guarantee. With effect from 1 April 2003, it received delegated responsibility from Ministers for the exercise of a range of statutory functions, as set out in the Agriculture Act 1967. These functions, aimed at assisting the efficiency and profitability of the Scottish red meat sector, were previously undertaken by the Meat and Livestock Commission.

In 2005, following an independent review of the five GB and UK statutory agriculture and horticulture levy bodies, a decision was taken to retain a separate meat promotion and development body in Scotland. The body would be a Non-Departmental Public Body (NDPB), wholly accountable to Ministers in the Scottish Government. The name of Quality Meat Scotland Ltd was changed to QMS 2000 Ltd and the business and assets of QMS 2000 Ltd were transferred on 1 April 2008 to the NDPB which was named Quality Meat Scotland. QMS 2000 Ltd was subsequently wound up on 4 December 2009.

The registered address of QMS is Rural Centre, West Mains, Ingliston, Newbridge, EH28 8NZ.

Principal Activities

The core functions of Quality Meat Scotland (QMS) are to work with the Scottish red meat industry to improve its efficiency, profitability and sustainability and to maximise its contribution to Scotland's economy. This activity is funded largely by a statutory red meat levy, paid by all farmers and processing companies in the Scottish red meat industry. Additional income is received from various public sector grants and from the membership fees, paid by over 10,000 businesses that belong to the voluntary QMS Quality Assurance Schemes, which set out the standards for the production of beef, lamb and pork in Scotland.

Strategic Report

During the 2018/19 year a diverse range of activities was undertaken, in line with Quality Meat Scotland's strategic aims and objectives, to support Scotland's red meat industry and the businesses which operate in it, to improve their profitability, efficiency and sustainability.

Specific strategies with clear objectives were established and, in line with the priorities identified by the QMS Board, the departmental teams in QMS developed and delivered a range of activities, detailed in a comprehensive implementation plan, to meet these objectives.

The diversity of the QMS Board is key to the success of the organisation. Board members are involved in different parts of the red meat industry in Scotland, with each board member bringing different skills and expertise to the organisation.

During the 2018/19 year there were several changes to the make-up of the board including the appointment by Scottish ministers of a new chair, Kate Rowell, who took over from Jim McLaren in October 2018.

The 2018/19 year also saw the appointment of Ann Irvine and Andy McGowan, followed by Gordon Wallace and Charles Milne, from 1 April 2019, with Alan McNaughton, John Scott and Ronnie Eunson standing down from the board.

Collaboration is at the heart of the way QMS operates and the organisation works closely with the industry and liaises regularly with representatives of the different sectors to ensure our activities meet the needs of beef, lamb and pork businesses.

During the 2018/19 year, a new “Strategic Engagement” department was created, reflecting the priority placed by the organisation on working with our stakeholders from each different part of the industry.

QMS is annually missing out on around £1.5 million of levy income which is collected outwith Scotland as a result of Scottish livestock being slaughtered in England or Wales. In late 2015 the three GB red meat levy boards submitted a briefing document to Ministers in England, Scotland and Wales outlining an alternative option for the distribution of red meat levy income.

A ring-fenced fund has since been created as an interim arrangement while a long-term solution is sought on the issue of levies being collected at point of slaughter in England, for animals which have been reared in Scotland or Wales. A range of activities was delivered during 2018/19, including health education and export events, funded by a £2 million fund of AHDB red meat levies ring-fenced for collaborative projects which is managed by the three GB meat levy bodies – AHDB, HCC and QMS.

At the start of the 2018/19 financial year the marketing and communications teams were combined to form a single team. This has proved to be a very successful move, ensuring that QMS’s marketing and public relations work are fully aligned and opportunities are maximised.

During the 2018/19 year three strong, highly-targeted marketing and public relations campaigns were delivered behind the Scotch Beef PGI, Scotch Lamb PGI and Specially Selected Pork brands. This work was very substantially supported by Scottish Government funding of £200,000 for Scotch Lamb promotion and £125,000 for Specially Selected Pork promotion.

Three brand new, fully-aligned marketing and PR campaigns, featuring brand new creatives were developed – Scotch Lamb Naturally; Go Places with Pork and Know Your Beef. The campaigns included TV, radio, billboard, print, digital and social media. Scotch Beef was also announced as the official Healthy Eating Partner of Scottish Rugby with a range of activity delivered behind that to communicate the nutritional value of beef, lamb and pork. This will include activation in Japan, an exciting future market for the Scottish industry, during the Rugby World Cup 2019.

QMS continues to communicate the importance of a healthy diet and the role of red meat in achieving that. As well as undertaking demonstrations to school children throughout the year, QMS also continued its successful meat voucher scheme to encourage teachers to purchase red meat for use in home economics and hospitality classes.

Export markets remain key in terms of optimising returns for the entire carcass. While there is demand from overseas customers for the very top end of quality products from Scotland there is also encouraging volume demand from overseas markets for fifth quarter and lower value products.

QMS’s export strategy has been developed in tandem with Scottish Development International and through working in partnership with AHDB and HCC utilising funding from the ring-fenced funds. Trade shows were attended included: - SIAL Paris, SIRHA Lyon, Speciality and Fine Food Asia Singapore, Foodex Tokyo and SIAL Canada. Inward missions from Japan, Canada and outward missions in partnership with Seafood Scotland to Singapore and Hong Kong.

Scottish exporters attended these events with QMS's stand highlighted the Protected Geographical Indication (PGI) status of Scotch Beef and Scotch Lamb and the guarantees of quality assurance, provenance and welfare that underpin these brands.

A range of excellent industry development work was also undertaken. The focus of these activities is very much on "farmer-to-farmer" communication of ideas and opportunities to improve efficiency and profitability and reduce waste. This work includes the network of nine monitor farms established by QMS, working in partnership with AHDB Cereals & Oilseeds, as part of a major project funded by the Scottish Government. A pig monitor farm is also in place, funded jointly by QMS and Opportunity North East (ONE).

The red meat industry contributes around £2 billion to Scotland's economy annually and despite concerns about challenges, such as the uncertainty about the impact of Brexit and reduced support payments for farmers, there remain many reasons to be positive about the future of the Scottish red meat industry.

The 2018/19 year has been highly challenging on many fronts – in particular the unprecedented publicity generated by the anti-red meat agenda, set against the uncertainty generated by Brexit. Our communications and marketing team worked closely with others in the industry to deliver key messages about the contribution our industry makes to Scotland's environmental, economic and social sustainability. Indeed, our industry supports around 15,000 businesses and 50,000 jobs.

Also key to meeting future consumer demand is the quality assurance behind the Scotch Beef PGI, Scotch Lamb PGI and Specially Selected Pork labels, the priority given to animal health and welfare and our natural, grass-based cattle and sheep production systems.

Uncertainty about the implications of Brexit – including how it will affect agricultural support, migrant labour and international trade – continued to impact on the Scottish red meat industry during the year. In response to this, QMS worked with a range of key stakeholders to ensure the challenges and opportunities presented by Brexit were identified and the information available to inform decisions.

QMS also continued to work hard to bring in grants during the year, against a backdrop of tight public sector budgets. Grant income for the year 2018/19 was £869,724 which played an important part in supporting QMS's ability to deliver on behalf of the industry.

As QMS is funded by an industry statutory levy, robust corporate governance is integral to how it operates. During the past year the board met six times, the Audit and Risk Management Committee met in June, October and March and the Remuneration Committee met in June, November and February.

During the 2018/19 financial year, the 2017/18 external audit, under the direction of Audit Scotland, was satisfactorily completed. Internal audits covering the areas of Staff Performance and Marketing & Communications took place. Any follow-up on action points resulting from these audits are regularly reported to, and monitored by, the Audit and Risk Management Committee.

For the small team at QMS, achieving value for money for levy-payers remains at the forefront of every activity undertaken along with the organisation's core values of Relevance, Integrity, Passion and Innovation.

Performance Measures

As a small NDPB, the executive team, in partnership with the Board of QMS, develops its strategy and annual plan of key performance measures. These are developed for each department within QMS and monthly review meetings occur with the Chief Executive to review actual performance against plan.

An overall summary of actual performance using a Key Performance Measure tracker goes to each Board meeting. Progress against each performance measure is recorded using a BRAG tracking system and comments are recorded on each measure where planned target is not achieved. These comments may include corrective action to mitigate any potential under performance highlighting the associated risks and issues. Alternatively, where measures contained within the plan are no longer seen as relevant narrative is placed in the Key Performance Measure tracker.

As a small NDPB we utilise a number of financial and non-financial performance tools to develop and manage the performance of QMS.

Our business plan and implementation plan details all the key activities that we aim to achieve with the financial year. To produce this, we conduct a Situation Analysis of the Scottish Red Meat Sector and a review of our past performance. This situation analysis and review is then analysed in terms of the Scottish Government National Performance Framework and we integrate other major stakeholder strategies into this. Our overall strategy is then developed and includes: -

- Our Mission
- Our Vision
- Strategic Aims
- Strategic Objectives to Meet Each Aim
- Implementation Plans per Strategic Objective including Time Scale and Resources both financial and physically required
- Our Key Delivery Partners
- Overall Budget

We also have a series of procedures and processes in place to manage our employee performance, utilisation of resources, procurement processes and financial management. We are subject to both internal and external audit and have review and corrective action processes in place to ensure there is continuous improvement.

As part of our operational performance we develop and measure our performance against the Programme for Government Themes and produce statements on Information & Communications Technology, Climate Change Duties, Equality and develop and manage our risk register to ensure that the red meat industry and QMS have mitigation plans in place.

The Board and executive team are involved in ensuring that our performance is reviewed and that the linkages to each of the tools used provide a comprehensive overview of operational performance.

For the 2018/19 year QMS activities were undertaken under the overall strategy of working “to shape a sustainable and prospering Scottish red meat industry” and four strategic aims which were agreed by the Board.

Underpinning these was an implementation plan of activities for the separate departments at QMS through which the work of the organisation is delivered.

These objectives were further supported by a list of activities and performance measures which are specified in a detailed management plan.

The activities and their performance measures are reviewed at Board meetings using a red/amber/green status system. At the end of the year the completed plan is reviewed and the achievement of the performance measure by strategic objectives is shown below.

Strategic Aims 2018-19	B	R	A	G	Grand Total
1.0 To build the Scotch Beef PGI, Scotch Lamb PGI and Specially Selected Pork brands through quality assurance and effective marketing/communications with consumers		2	6	64	72
2.0 To support the sustainable growth of the industry through strategic engagement with key stakeholders, supply chain collaboration and cascade of key market information			6	72	92
3.0 To develop capability and capacity in the Scottish red meat industry through training and education initiatives which attract, motivate and develop the workforce			3	18	21
4.0 To deliver professional services which support the continued growth of a resilient, professional Scottish red meat industry able to grasp opportunities and meet challenges			4	25	29
GRAND TOTAL	0	2	19	193	214

3. Performance Analysis

Income

During the year, QMS received £3.88m (2017/18 - £3.79m) in statutory red meat levy. Levy income contributes towards covering the cost of working with the Scottish red meat industry to improve its efficiency, profitability and sustainability. Consumer assurance scheme fee income of £1.56m (2017/18 - £1.50m) is charged on a cost recovery basis and is used to cover the cost of assurance audits, which were outsourced to Acoura Ltd, as well as the management and administration of the various assurance schemes. Other income received includes £0.87m (2017/18 - £0.46m) in grants and £0.139m (2017/18 - £0.03m) in bank interest and other miscellaneous income.

Statutory Red Meat Levy £3.876m

	2018/19	2017/18
	£	£
Cattle	2,519,264	2,541,352
Sheep	925,204	919,668
Pigs	432,373	332,174
	<u>3,876,841</u>	<u>3,793,194</u>

Levy rates for 2018/19

-Species	Paid by Producer per Head	Paid by Slaughterer per Head	Total Levy per Head
Cattle	£4.20	£1.30	£5.50
Calves (up to 68kg)	£0.07	£0.07	£0.14
Sheep	£0.60	£0.20	£0.80
Pigs	£1.02	£0.24	£1.26

Quality Assurance Scheme Fee Income £1.562m

From a financial perspective, the Assurance Schemes are designed to be non-profit making. Fees charged to members cover the cost of inspections and the administration of the schemes. The overall purpose of the schemes is to provide consumers with assurances in relation to food safety, animal welfare and environmental protection and to remind farmers and others of the importance of assurance in the marketplace.

Grant Income

	2018/19	2017/18
	£	£
Scottish Government	853,376	392,250
Others	16,348	20,000
EU Quality Programme	0	45,430
	<u>869,724</u>	<u>457,680</u>

QMS received three grants from the Scottish Government. The grant from the Scottish Government's Knowledge Transfer and Innovation Fund (KTIF) funds the Monitor Farm Programme which is managed jointly by QMS and AHDB Cereals and Oilseeds. The other grants from Scottish Government were used to fund integrated marketing campaign for Scotch Beef PGI, Scotch Lamb PGI and Specially Selected Pork. 'Other' grant income includes an Opportunity North East (ONE) grant which contributes to the costs of the North East Pig Business network, including the Pig Monitor Farm. Both KTIF and ONE projects focus on the sharing of best practice to improve the productivity, profitability and sustainability of Scottish farmers. The EU programme, which helped promote consumer awareness of quality schemes for Scotch Beef and Scotch Lamb finished during the previous financial year.

Expenditure

Details of expenditure breakdown are shown in the notes to the accounts and in particular notes 3 and 4.

Other Operating Activity

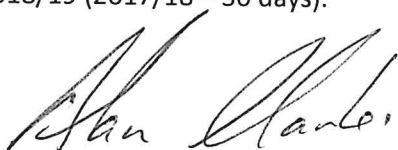
Spending on 'Other Operating Activity' includes expenditure on Board, Chief Executive, support staff and central office overheads.

Pensions

Details of pension contributions can be found in notes 1(c), 4 and 14 of the accounts.

Payment Policy

It is QMS's policy to settle all debts within 30 days unless otherwise specified in the contract, and to observe the CBI prompt payment code. On average, QMS settled its debts within 27 days during 2018/19 (2017/18 – 30 days).



Alan Clarke

Chief Executive and Accountable Officer

Date:

6th June 2019

The Accountability Report**1. Corporate Governance Report****Board Report****Relationship with Scottish Government**

QMS is an executive NDPB, operating within the terms of a management statement and financial memorandum agreed with its sponsor department within the Scottish Government.

The Chair and Board members are appointed by Scottish Ministers in accordance with the code of practice for ministerial appointments to public bodies in Scotland issued by the Commission for Ethical Standards in Public Life in Scotland. The Board has a code of conduct for Board members approved by Scottish Ministers. The Board operates an Audit and Risk Management Committee and a Remuneration Committee to scrutinise activity in these areas and make recommendations to the Board.

Board members who served during the year were:

Kate Rowell (Chair) (R)	Appointed Chair 1 st October 2018
Jim McLaren (Chair) (R)	Resigned 30 th September 2018
Ronnie Eunson (R) (A)	Resigned 31 st March 2019
Julie Fitzpatrick	
Jock Gibson	
Scott Henderson	
Ann Irvine (A)	Appointed 1 st October 2018
Sarah Mackie	
Andy McGowan	Appointed 1 st October 2018
Alan McNaughton (A)	Resigned 30 th September 2018
George Milne (R)	
John Scott	Resigned 31 st March 2019
Philip Sleigh	
Louise Welsh (A)	

Information on fees earned by Board members can be found in the remuneration report.

R indicates membership of the Remuneration Committee.

A indicates membership of the Audit and Risk Management Committee.

Chief Executive Alan Clarke

Personal Data Incidents

There have been no incidents relating to the loss of personal data during the year.

Charitable Donation

A charitable donation of £6.8k was made to the Royal Highland Education Trust (RHET) Appeal. This donation was made from funds collected from sales of merchandise at the Royal Highland Show.

Independent Auditors

The accounts are audited by Audit Scotland as appointed by the Auditor General for Scotland. Details of auditors' remuneration can be found in note 6 to the accounts.

Statement of Board's and Accountable Officer's Responsibilities

Under section 12(4) of the Quality Meat Scotland Order 2008, QMS is required to prepare a statement of accounts for each financial year, in conformity with the direction of the Scottish Ministers.

The statement of accounts is prepared on an accruals basis and must give a true and fair view of the state of affairs of QMS, the income and expenditure, recognised gains and losses and cash flows for the financial year.

The composition of the Board of QMS is disclosed on page 9. Details of the Accountable Officer, who is the Chief Executive of QMS, are reported on page 13.

In preparing the accounts, the Accountable Officer is required to comply with the Financial Reporting Manual (FReM) and in particular to:

- observe the accounts direction, 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, as set out in the FReM, have been followed and disclose and explain any material departures in the accounts;
- prepare accounts on a going concern basis.

The responsibilities of the Accountable Officer, including responsibility for the propriety and regularity of the public finances for which an Accountable Officer is answerable, for keeping proper records, and for safeguarding assets, are set out in the Public Finance and Accountability (Scotland) Act 2000.

The Board has corporate responsibility for ensuring that QMS fulfils the overall aims set by the Scottish Ministers and for promoting the efficient and effective use of staff and other resources, in accordance with the principles of Best Value.

Disclosure of Relevant Audit Information

All reasonable steps have been taken to ensure that all relevant audit information has been disclosed to the auditor and to the best of our knowledge; there is no relevant audit information of which the auditor is unaware.

Governance Statement**Scope of Responsibility**

As Accountable Officer, I have responsibility for maintaining a sound system of internal control to underpin the achievement of QMS's strategy, while safeguarding the public funds and assets for which I am personally responsible, in accordance with the responsibilities assigned to me.

The system of internal control is designed to manage rather than eliminate risk of failure to achieve specific strategies; it can therefore only provide reasonable and not absolute assurance of effectiveness. No significant weaknesses have been identified.

The system of internal control is based on a continuing process, designed to identify the principal risks to the achievement of QMS's specific strategies, to evaluate the nature and extent of those risks and to manage them effectively and economically. This process was in place throughout the year to 31 March 2019 and up to the date of the approval of the annual report and accounts.

As Accountable Officer, I have responsibility for reviewing the effectiveness of the system of internal control. The following framework was in place for the year which ended 31 March 2019, covering a range of corporate governance requirements.

As Accountable Officer, I confirm that the annual report and accounts as a whole is fair, balanced and understandable and that I take personal responsibility for the annual report and accounts and the judgments required for determining that it is fair, balanced and understandable.

The Governance Framework

QMS's governance framework is clearly defined within the context of the Framework Document which specifically addresses:

- the functions, duties and powers of QMS;
- aims, objectives and targets;
- the responsibilities of the Chair, the Board and the Chief Executive;
- planning, budgeting and control;
- external accountability;
- staff management;
- reviewing the QMS's role; and
- key financial and operating procedures.

The governance framework is further supported by the QMS Scheme of Delegation, Board Standing Orders and Board Code of Conduct.

Audit and Risk Management Committee

The Audit and Risk Management Committee comprises at least three Board members appointed by the Board and has written terms of reference, which are also approved by the Board. The terms of reference outline the make-up, authority and duties of the committee.

Risk Management/Risk Register

Responsibility for the risk management process lies with the Board, which is provided with information and guidance by the Audit and Risk Management Committee and the senior executive team.

With the assistance of an appointed internal auditor, QMS has developed its risk management policy. A risk register is in place, identifying risks and evaluating them for likelihood of occurrence and potential impact. The register is examined regularly by the QMS executive team and reviewed by the Audit and Risk Management Committee and the appointed internal audit consultants; this will continue to be developed in 2018/19.

The Board acknowledges the potential risk to the Scottish red meat industry surrounding the outcome of the EU Referendum and the impending UK exit from Europe.

Fraud Risk Management

QMS policies relating to fraud, corruption and bribery are set out in the Staff Handbook. These policies detail the steps taken to manage risk and how to respond to fraudulent or corrupt activity if it is suspected or discovered. Processes are in place to ensure that policies for counter-fraud are consistent with Scottish Government guidance, including a review of current counter-fraud activity. Robust reporting procedures have been adopted by QMS and an Audit and Risk Management Committee is in place to oversee and manage any issues that arise.

There is also a Whistleblowers Procedure set out in the Staff Handbook and a member of the Board is appointed so as to be directly available to whistleblowers

Register of Interests

Quality Meat Scotland maintains a Register of Interests that covers all senior managers and Board Members. This can be found on our website www.qmscotland.co.uk/statutory-reporting.

Sustainability

In recognition of its responsibilities under the Climate Change (Scotland) Act 2009 QMS takes appropriate steps to mitigate, adapt and act in a sustainable manner.

In its work with stakeholders to improve business sustainability, QMS continues to promote awareness of mitigation and adaptation strategies and the adoption of best practice to secure carbon reducing production efficiencies across the supply chain.

People

QMS is committed to ensuring that all staff, volunteers, students and customers are treated equally irrespective of their sex, marital status, age, race, ethnic origin, sexual orientation, disability, religion or social background, any pregnancy or maternity, gender reassignment, or marriage / civil partnership status in accordance with the Equalities Act 2010.

Independent Internal Auditor

The appointed internal auditor carried out a review of selected operating systems, and an on-going programme of work has been agreed with the Audit and Risk Management Committee. The results of reviews are advised to the Audit and Risk Management Committee which reports to the Board.

Corporate Plan

QMS publishes an annual rolling five year Corporate Plan, which sets out a review of the industry's operating environment and an overall strategy which is supported by specific strategies. The Corporate Plan includes actions to ensure that QMS complies with best value principles and meets the requirements of the Scottish Government's National Performance Framework.

Business Plans and Budgets

Activity plans and an annual budget for 2018/19 were prepared for, and approved by, the Board on 22 February 2018.

Review of Effectiveness

As Accountable Officer, I also have responsibility for reviewing the effectiveness of the system of internal control. My review is informed by the:

- work of the internal auditor;
- input and feedback from the Audit and Risk Management Committee;
- executive managers within QMS who have responsibility for the development and maintenance of the internal control framework, and
- comments made by the external auditor in management letters and other reports.

Each of these parties is involved in the identification and assessment of areas of operation where review is needed, or is due by virtue of the passage of time since a previous review. Reports are presented to Audit and Risk Management Committee for confirmation that management action in relation to risks identified, has been implemented.

The measures listed above are sufficient to address any weakness identified and to ensure the continuous improvement of the system.



Alan Clarke
Chief Executive and Accountable Officer

Date:



2. Remuneration and Staff Report**Remuneration Committee**

The Remuneration Committee is made up of three board members, including the board chair. During 2018/19 the members were:

Ronnie Eunson (Board member and Committee Chair) Resigned 31st March 2019

Kate Rowell (Board Chair) Appointed 1st October 2018

Jim McLaren (Board Chair) Resigned 30th September 2018

George Milne (Board member)

The purpose of the Committee is to:

- Receive an annual report from the Chair of the Board on the performance of the Chief Executive and a recommendation on annual salary review;
- Receive an annual report from the Chief Executive on a proposal for review of staff salaries;
- Make recommendations to the Board on the proposed salary review for the Chief Executive and on the proposal for salary review of staff;
- To ensure compliance with Management Statement and Financial Memorandum guidelines on remuneration;
- To oversee the objective setting and appraisal process for staff and the Chief Executive.

Remuneration Policy

In setting salary levels, the Remuneration Committee has regard to the following considerations:

- The need to recruit, retain and motivate suitably qualified people to implement specific strategies and activities in line with the strategy of the organisation;
- Regional or local variations in labour markets and their effect on the recruitment and retention of staff;
- The funds available subject to expenditure limits;
- Other relevant Government policies or targets.

Pension Schemes

QMS operates defined contribution schemes for employees. The assets of the defined contribution schemes are held separately from those of the organisation in independently administered funds.

Equal Opportunities

QMS is committed to a policy of non-discrimination on any grounds, including race, colour, nationality or ethnic or national origin, religion, gender, sexual orientation, marital status, age, responsibility for dependants, HIV status or disability. This policy applies not only during the course of an individual's employment but also during the selection process, be it the recruitment of external job applicants, the review of internal candidates or in the provision of training and development.

Remuneration

This section of the Remuneration Report is subject to audit.

The remuneration and pension contributions of the Chief Executive and Board members are set out in the tables below. Remuneration includes gross salary and fees.

	Remuneration 2018/19 £'000	Benefits in kind 2018/19 (nearest £100)	Pension Contribution 2018/19 £'000	Total Remuneration 2018/19 £'000	Remuneration 2017/18 £'000	Benefits in kind 2017/18 (nearest £100)	Pension Contribution 2017/18 £'000	Total Remuneration 2017/18 £'000
Chief Executive	90-95	-	25-30	120-125	70-75	-	15-20	85-90
Chief Executive (to 31 July 2017) Annualised salary (£80k-£85k)	-	-	-	-	25-30	£300	10-15	40-45

Board Members' Remuneration and Attendance

The remuneration of the Chair and Board members is set out below:

	2017/18 £'000	2017/18 £'000	Board meetings attended
Kate Rowell (Chair)	30-35	0-5	6
Jim McLaren (Chair)	15-20	25-30	3
Ronnie Eunson	0-5	0-5	5
Julie Fitzpatrick	0-5	0-5	3
Jock Gibson	0-5	0-5	6
Scott Henderson	0-5	0-5	6
Ann Irvine	0-5	N/A	3
Sarah Mackie	0-5	0-5	5
Andy McGowan	0-5	N/A	3
Alan McNaughton	0-5	0-5	3
George Milne	0-5	0-5	6
John Scott	0-5	0-5	6
Philip Sleight	0-5	0-5	5
Louise Welsh	0-5	0-5	6

QMS does not make any pension payments in respect of the Chair or any Board member.

Sickness Absence

During 2018/19, a total of 70 days (2017/18 – 27 days) were lost to sickness absence. This equated to 1.38% (2017/18 – 0.54%) of available staff days.

Consultants

QMS spent £40k on consultants during the year (2017/18 - £26k).

Fair Pay report (audited)

In accordance with the requirements of the Hutton Fair Pay Review, QMS is required to disclose the relationship between the remuneration of the highest paid executive of QMS and the median remuneration of QMS's staff.

The annualised banded remuneration, excluding pension benefit, of the highest paid executive employed by QMS during the financial year 2018/2019 was £90k–£95k (2017/18: £90k–£95k). The range of remuneration for 2018/19 commenced at £15k–£20k (2017/18: £20k–£25k). The median staff remuneration was £37,000, a ratio of 2.55 times (2016/17: £30,770, 2.76 times). In 2018/19 and 2017/18, no employees received remuneration higher than the annualised amount paid to the Chief Executive. Total remuneration includes salary and benefits in kind. It does not include employer pension contributions.

Staff costs and average numbers

For the year ended 31 March 2019, we employed a total of 22.6 permanent staff (22.5 in 2017/18).

Total staff costs for 2018/19 were £1,168k (2017/18: £1,102k). Further breakdown of staff costs is included in Note 4 on page 28.

Staff composition

The gender split of the average full-time equivalent staff employed across the QMS in 2018/19 was 15 (67%) female and 7 (33%) male (2017/18: 64% female, 36% male). The gender split of the Board in 2018/19 was 8 (67%) male and 4 (33%) female: (2017/18 67% male, 33% female). The Chief Executive and Accountable Officer of QMS was male.



Alan Clarke

Chief Executive and Accountable Officer

Date:

6th June 2019

Independent auditor's report to the members of Quality Meat Scotland, the Auditor General for Scotland and the Scottish Parliament**Report on the audit of the financial statements****Opinion on financial statements**

I have audited the financial statements in the annual report and accounts of Quality Meat Scotland for the year ended 31 March 2019 under the Quality Meat Scotland Order 2008. The financial statements comprise the Statement of Comprehensive Net Expenditure, the Statement of Financial Position, the Cash Flow Statement, the Statement of Changes in Reserves and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and International Financial Reporting Standards (IFRSs) as adopted by the European Union, and as interpreted and adapted by the 2018/19 Government Financial Reporting Manual (the 2018/19 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view in accordance with the Quality Meat Scotland Order 2008 and directions made thereunder by the Scottish Ministers of the state of the body's affairs as at 31 March 2019 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with IFRSs as adopted by the European Union, as interpreted and adapted by the 2018/19 FReM; and
- have been prepared in accordance with the requirements of the Quality Meat Scotland Order 2008 and directions made thereunder by the Scottish Ministers.

Basis of opinion

I conducted my audit in accordance with applicable law and International Standards on Auditing (UK) (ISAs (UK)), as required by the Code of Audit Practice approved by the Auditor General for Scotland. My responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of my report. I was appointed by the Auditor General on 26 January 2018. The period of total uninterrupted appointment is 4 years. I am independent of the body in accordance with the ethical requirements that are relevant to my audit of the financial statements in the UK including the Financial Reporting Council's Ethical Standard, and I have fulfilled my other ethical responsibilities in accordance with these requirements. Non-audit services prohibited by the Ethical Standard were not provided to the body. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern basis of accounting

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the body has not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about its ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Risks of material misstatement

I have reported in a separate Annual Audit Report, which is available from the [Audit Scotland website](#), the most significant assessed risks of material misstatement that I identified and my conclusions thereon.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of the Accountable Officer Responsibilities, the Accountable Officer is responsible for the preparation of financial statements that give a true and fair view in accordance with the financial reporting framework, and for such internal control as the Accountable Officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Accountable Officer is responsible for assessing the body's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless deemed inappropriate

Auditor's responsibilities for the audit of the financial statements

My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, intentional omissions, misrepresentations, or the override of internal control. The capability of the audit to detect fraud and other irregularities depends on factors such as the skilfulness of the perpetrator, the frequency and extent of manipulation, the degree of collusion involved, the relative size of individual amounts manipulated, and the seniority of those individuals involved. I therefore design and perform audit procedures which respond to the assessed risks of material misstatement due to fraud.

A further description of the auditor's responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website www.frc.org.uk/auditorsresponsibilities. This description forms part of my auditor's report.

Other information in the annual report and accounts

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the information other than the financial statements, the audited part of the Remuneration and Staff Report, and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon except on matters prescribed by the Auditor General for Scotland to the extent explicitly stated later in this report.

In connection with my audit of the financial statements, my responsibility is to read all the other information in the annual report and accounts and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If I identify such material inconsistencies or apparent material misstatements, I am required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Report on regularity of expenditure and income**Opinion on regularity**

In my opinion in all material respects the expenditure and income in the financial statements were incurred or applied in accordance with any applicable enactments and guidance issued by the Scottish Ministers.

Responsibilities for regularity

The Accountable Officer is responsible for ensuring the regularity of expenditure and income. I am responsible for expressing an opinion on the regularity of expenditure and income in accordance with the Public Finance and Accountability (Scotland) Act 2000.

Report on other requirements**Opinions on matters prescribed by the Auditor General for Scotland**

In my opinion, the audited part of the Remuneration and Staff Report has been properly prepared in accordance with the Quality Meat Scotland Order 2008 and directions made thereunder by the Scottish Ministers.

In my opinion, based on the work undertaken in the course of the audit:

- the information given in the Performance Report for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Quality Meat Scotland Order 2008 and directions made thereunder by the Scottish Ministers; and
- the information given in the Governance Statement for the financial year for which the financial statements are prepared is consistent with the financial statements and that report has been prepared in accordance with the Quality Meat Scotland Order 2008 and directions made thereunder by the Scottish Ministers.

Matters on which I am required to report by exception

I am required by the Auditor General for Scotland to report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the audited part of the Remuneration and Staff Report are not in agreement with the accounting records; or
- I have not received all the information and explanations I require for my audit.

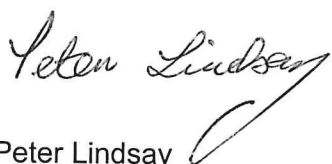
I have nothing to report in respect of these matters.

Conclusions on wider scope responsibilities

In addition to my responsibilities for the annual report and accounts, my conclusions on the wider scope responsibilities specified in the Code of Audit Practice are set out in my Annual Audit Report.

Use of my report

This report is made solely to the parties to whom it is addressed in accordance with the Public Finance and Accountability (Scotland) Act 2000 and for no other purpose. In accordance with paragraph 120 of the Code of Audit Practice, I do not undertake to have responsibilities to members or officers, in their individual capacities, or to third parties.



Peter Lindsay
Senior Audit Manager
Audit Scotland
4th Floor, South Suite
The Athenaeum Building
8 Nelson Mandela Place
Glasgow
G2 1BT

6 June 2019

Quality Meat Scotland

STATEMENT OF COMPREHENSIVE NET EXPENDITURE

For the year ended 31 March 2019

	Note	2018-19 £	2017-18 £
Income	2		
Statutory red meat levy		3,876,841	3,793,195
Consumer assurance scheme fees		1,561,910	1,503,463
Other income		887,991	484,920
Total operating income		<u>6,326,742</u>	<u>5,781,578</u>
Expenditure			
Staff employment and board costs	4	1,237,734	1,145,837
Depreciation		21,669	10,111
Other operating costs	3	5,103,335	4,706,579
Total operating expenditure		<u>6,362,738</u>	<u>5,862,527</u>
Net operating expenditure		(35,996)	(80,949)
Finance income	5	11,310	6,414
Net expenditure for the year		<u><u>(24,686)</u></u>	<u><u>(74,535)</u></u>

There is no other comprehensive income for the year.

The notes on pages 25 to 31 form part of these financial statements.

Quality Meat Scotland

STATEMENT OF FINANCIAL POSITION

As at 31 March 2019

	Note	2019 £	2018 £
Non-current assets			
Property, plant and equipment	7	62,624	54,820
		<hr/>	<hr/>
Current assets			
Trade receivables and other current assets	8	1,093,191	1,009,362
Deposits and advances	9	1,108,048	403,000
Cash and cash equivalents	10	442,028	1,681,983
Total current assets		<hr/> 2,643,267	<hr/> 3,094,345
Total assets		2,705,891	3,149,165
Current liabilities			
Trade payables and other current liabilities	11	1,381,432	1,800,020
Total current liabilities		<hr/> 1,381,432	<hr/> 1,800,020
Assets less liabilities		<hr/> <u>1,324,459</u>	<hr/> <u>1,349,145</u>
Reserves			
General reserve		<hr/> <u>1,324,459</u>	<hr/> <u>1,349,145</u>

The financial statements on pages 21 to 31 were approved and authorised for issue by the Board Members on 6 June 2019 and signed on its behalf by:



Alan Clarke
Chief Executive and Accountable Officer
Quality Meat Scotland

Date: *6 June 2019*

The notes on pages 25 to 31 form part of these financial statements.

Quality Meat Scotland

CASH FLOW STATEMENT

For the year ended 31 March 2019

	Note	2018-19	2017-18
		£	£
Cash flows from operating activities	(note a)	(516,744)	711,842
Cash flows from investing activities	(note b)	(734,521)	641,824
Cash flows from financing activities	(note c)	11,310	6,414
Increase/(decrease) in cash in the year		<u>(1,239,955)</u>	<u>1,360,080</u>

Notes to the Cash Flow Statement

a) **Cash flows from operating activities**

Net operating (deficit)	(35,996)	(80,949)
Adjustment for non-cash items		
- Depreciation	21,669	10,111
Decrease/(increase) in trade receivables	(83,829)	270,141
Increase/(decrease) in trade payables and other current liabilities	(418,588)	512,539

Net Cashflow from operating activities

<u>(516,744)</u>	<u>711,842</u>
-------------------------	-----------------------

b) **Cash flows from investing activities**

Purchase of property, plant and equipment	(29,473)	(55,641)
Loss on disposal of property, plant and equipment	0	465
Withdrawal/(deposit) of cash to UK clearing bank fixed term deposit account	(705,048)	697,000
	<u>(734,521)</u>	<u>641,824</u>

c) **Cash flows from financing activities**

Cash flows from financing activities		
Interest received	11,310	6,414
	<u>11,310</u>	<u>6,414</u>

Net financing

QMS has no borrowing or finance lease obligations. Accordingly the net funds of the organisation are equal to its cash balances.

	2018-19	2017-18
	£	£
Net (decrease) in cash and cash equivalents in the year	(1,239,955)	1,360,080
Cash and cash equivalents at beginning of year	1,681,983	321,903
Cash and cash equivalents at end of year	<u>442,028</u>	<u>1,681,983</u>

Quality Meat Scotland

STATEMENT OF CHANGES IN RESERVES

For the year ended 31 March 2019

	General Reserve £	Total Reserves £
Balance at 31 March 2017	1,423,680	1,423,680
Changes in taxpayers' equity for 2017-18		
Deficit for the year	<u>(74,535)</u>	<u>(74,535)</u>
Total comprehensive income for 2017-18	(74,535)	(74,535)
Balance at 31 March 2018	1,349,145	1,349,145
Changes in taxpayers' equity for 2018-19		
Deficit for the year	<u>(24,686)</u>	<u>(24,686)</u>
Total comprehensive income for 2018-19	(24,686)	(24,686)
Balance at 31 March 2019	<u><u>1,324,459</u></u>	<u><u>1,324,459</u></u>

Quality Meat Scotland

Notes to the Accounts

For the year ended 31 March 2019

1. Statement of accounting policies

The financial statements have been prepared in accordance with the Accounts Direction issued by Scottish Ministers under section 19(4) of the Public Finance and Accountability (Scotland) Act 2000 and in compliance with the principles and disclosure requirements of the Government Financial Reporting Manual (FReM). The accounting policies contained in the FReM, apply International Financial Reporting Standards (IFRS) as adopted or interpreted for the public sector context.

The financial statements have been prepared using accounting policies, and, where necessary, estimation techniques, which are selected as the most appropriate for the purpose of giving a true and fair view in accordance with the principles, set out in International Accounting Standard (IAS) 8: Accounting Policies, Changes in Accounting Estimates and Errors. Changes in accounting policies which do not give rise to a prior year adjustment are reported in the relevant note. The fundamental accounting concepts of going concern and accruals have been applied consistently.

The accounting policies adopted by QMS have been applied consistently in dealing with items considered material in relation to the accounts.

a) Accounting convention

The financial statements have been prepared on a going concern basis under the historical cost convention modified in a form determined by Scottish Ministers.

b) Assets policy

Property, plant and equipment are stated at historic purchase cost less accumulated depreciation.

Cost includes the original purchase price of the asset and the costs attributable to bringing the asset to its working condition.

Depreciation is provided on all property, plant and equipment, so as to write them off over their anticipated useful lives at the following annual rates:

Computer Equipment	Written off over 3 years
Furniture, fittings and equipment	Written off over 5 years

All items of capital expenditure greater than £250 are treated as additions to property, plant and equipment.

c) Pension arrangements

The organisation operates defined contribution schemes for employees. The assets of the defined contribution schemes are held separately from those of the organisation in independently administered funds. The amount charged to the Statement of Comprehensive Net Expenditure, represents the contributions payable to the schemes in respect of the accounting year.

d) Grants

Grants of a revenue nature are credited to the Statement of Comprehensive Net Expenditure in the year in which they accrue.

Grants for the purchase of property, plant and equipment are treated as deferred income and credited to the Statement of Comprehensive Net Expenditure over the estimated useful life of the relevant

e) Operating leases

Rentals payable under operating leases are charged on a straight-line basis over the term of the lease.

f) Foreign currencies

Transactions in foreign currency are recorded at the rate ruling at the date of the transaction.

Quality Meat Scotland

Notes to the Accounts

For the year ended 31 March 2019

Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the Statement of Financial Position date.

All differences are taken to the Statement of Comprehensive Net Expenditure.

g) General reserve

The General reserve represents the surplus or deficit on the Statement of Comprehensive Net Expenditure.

h) Financial instruments

Financial assets include trade receivables, fixed term cash deposits and cash balances. Financial liabilities consist of trade payables. These are all carried in the Statement of Financial Position at amortised cost. Their fair value can be assessed by calculating the present value of the cash flows that will take place over the remaining period of the instrument, using the following assumptions:

- No early repayment or impairment is recognised.
- Where an instrument will mature in the next 12 months, the carrying amount is assumed to approximate to fair value.
- The fair value of trade and other receivables is taken to be the invoiced or billed amount.

An impairment review is carried out for all financial assets at the Statement of Financial Position date.

i) Credit risk

Credit risk arises from the short-term lending of surplus funds to banks, building societies and other third parties, as well as credit exposures to QMS's customers. QMS has formal treasury management procedures and invests surplus cash with government supported high street clearing banks. A review of QMS's treasury management policy was under-taken during 2018-19.

QMS now reviews the credit risk associated with financial institutions on a regular basis if market conditions are volatile or other information is made available on the financial security of UK banks and building societies.

j) Liquidity risk

QMS does not have any external borrowings.

k) Market risk

Changes in market interest rates influence the interest payable on interest receivable on surplus funds invested. QMS does not rely on interest receivable as its key source of income.

l) Revenue recognition

Revenue is recognised and included in income when the following conditions are met.

Quality Meat Scotland

Notes to the Accounts

For the year ended 31 March 2019

Statutory red meat levy

Statutory red meat levies consist of two parts: the producer levy and the slaughterer levy. The producer element is collected and held in trust for QMS by slaughterers who pay the levy direct to QMS. Levy is calculated on the number of animals slaughtered and these details are notified to QMS through the completion of regular declarations. Abattoirs inform QMS on a weekly basis of the number of animals which they have slaughtered that were subject to levy. Smaller abattoirs are permitted to submit declarations on a less frequent basis. In all cases the number of animals slaughtered is broken down by category, i.e. pigs, cattle, sheep, calves. Slaughterers are required to pay the levy due within 30 days of the end the month, for animals slaughtered in that month.

The value of statutory red meat levies recognised in the accounts of QMS is a combination of actual levy invoices raised for animals slaughtered within the period 1 April to 31 March and an estimate for any declarations not yet received for the same period.

Grant income

Government grant income to QMS is for the delivery of specific programmes of work and is recognised in the Operating Cost Statement in the period in which it becomes receivable.

Consumer Assurance Scheme Fees

Consumer Assurance Scheme Fees are based on inspection services provided in the year.

	2018-19	2017-18
	£	£
2. Income		
Statutory red meat levy	3,876,841	3,793,195
Consumer assurance scheme fees	1,561,910	1,503,463
Grant income	869,724	412,250
Grant income from European Union	0	45,430
Other income	18,267	27,240
	<u>6,326,743</u>	<u>5,781,578</u>
3. Operating expenditure		
Marketing and Communications	2,298,317	2,124,972
Consumer assurance scheme costs	1,429,053	1,386,679
Industry development	792,853	796,683
Economics services	141,225	151,033
Strategic Engagement	119,210	0
Other operating activity	322,679	247,212
	<u>5,103,335</u>	<u>4,706,579</u>

Quality Meat Scotland

Notes to the Accounts

For the year ended 31 March 2019

4. Staff employment and board costs

Costs include the following:

	2018-19	2017-18
	£	£
Staff		
Salaries	934,107	892,037
National Insurance	102,565	95,671
Pension costs	131,775	113,841
	<hr/>	<hr/>
	1,168,447	1,101,550

The average number of persons employed during the year was 22.6 (2017/18 - 22.5).

Board members

Emoluments for qualifying services	62,857	40,849
National Insurance	6,430	3,438
	<hr/>	<hr/>
	69,286	44,287
	<hr/>	<hr/>
	<u>1,237,734</u>	<u>1,145,837</u>

5. Finance income

	2018-19	2017-18
	£	£
Bank interest	<u>11,310</u>	<u>6,414</u>

6. Operating costs

The following have been included in operating costs:

	2018-19	2017-18
	£	£
Depreciation	21,669	10,111
Operating lease payments	40,355	39,325
Auditors' remuneration		
- audit services	<u>10,820</u>	<u>10,610</u>

Quality Meat Scotland

Notes to the Accounts

For the year ended 31 March 2019

7. Property, plant and equipment	Computer Equipment £	Furniture, Fittings & Equipment £	Total £
Cost			
At 1 April 2017	64,828	30,404	95,232
Additions	28,332	27,310	55,641
Disposals	(32,526)	(27,924)	(60,450)
As at 31 March 2018	60,633	29,790	90,424
As at 1 April 2018	60,633	29,790	90,424
Additions	14,273	15,200	29,473
Disposals	0	0	0
At 31 March 2019	74,906	44,990	119,897
Accumulated depreciation			
At 1 April 2017	57,007	28,470	85,477
Charge	8,192	1,920	10,111
Disposals	(32,257)	(27,728)	(59,985)
As at 31 March 2018	32,942	2,662	35,603
As at 1 April 2018	32,942	2,662	35,603
Charge	13,930	7,740	21,669
Disposals	0	0	0
At 31 March 2019	46,871	10,402	57,272
Net Book Value			
At 31 March 2019	28,035	34,589	62,624
As at 31 March 2018	27,692	27,128	54,820
8. Trade receivables and other current assets	2019	2018	
	£	£	
Trade receivables	562,279	576,093	
Accrued levy	74,252	100,358	
VAT recoverable	85,193	37,653	
Prepayments and other accrued income	371,467	295,258	
	<u>1,093,191</u>	<u>1,009,362</u>	

Quality Meat Scotland

Notes to the Accounts

For the year ended 31 March 2019

	2019 £	2018 £
9. Deposits and advances		
Short term deposits of up to 12 months invested in deposit accounts with UK clearing bank	<u>1,108,048</u>	<u>403,000</u>

	2019 £	2018 £
10. Cash and cash equivalents		
Balance at 1 April	1,681,983	321,903
Net change in cash and cash equivalent balances	<u>(1,239,955)</u>	<u>1,360,080</u>
Balance at 31 March	<u>442,028</u>	<u>1,681,983</u>

The following balances at 31 March were held at:

Commercial banks and cash in hand	<u>442,028</u>	<u>1,681,983</u>
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	2019 £	2018 £
11. Trade payables and other current liabilities		
Trade payables	623,403	967,048
Accruals and deferred income	540,498	628,459
Tax and social security	45,302	32,284
Statutory levy processor security deposits	172,229	172,229
	<u>1,381,432</u>	<u>1,800,020</u>

12. Commitments under leases

At 31 March 2019, the organisation had total minimum future payments under non-cancellable operating leases as follows:

	Land and Buildings 2019 £	Other 2019 £	Land and Buildings 2018 £	Other 2018 £
Operating leases which expire:				
Within one year	33,297	1,306	32,041	3,240
In the second to fifth years inclusive	0	4,245	32,041	0
	<u>33,297</u>	<u>5,551</u>	<u>64,082</u>	<u>3,240</u>

Quality Meat Scotland

Notes to the Accounts

For the year ended 31 March 2019

13. Related Party Transactions

QMS is a Non-Departmental Public Body sponsored by the Scottish Government. The Scottish Government is regarded as a related party. Acoura (formerly Scottish Food Quality Certification) and the Scottish Agricultural Organisation Society Limited are considered to be related parties of QMS. QMS has incurred expenditure of £1.36m (2017/18 £1.36m) and £0.100m (2017/18 £0.109m) relating to these related parties respectively.

A number of QMS Board members held senior positions or directorships of red meat processing companies that paid statutory red meat levy to QMS during the year.

Levies were paid by a number of QMS Board members, but these were on an arm's-length basis and the amounts are not considered material.

There are no company directorships or other significant interests that QMS considers may conflict with management responsibilities.

During 2018/19, AHDB ring fenced £2 million of red meat levies to be spent on activities which have been jointly agreed with the red meat levy board in Wales and by QMS in Scotland. This recognised that a proportion of cattle, sheep and pigs slaughtered in England spend much of their lives in those countries. These activities provided benefits to levy payers across Great Britain. QMS received a benefit in kind from AHDB in the form of AHDB meeting exhibition costs on QMS's behalf and various projects to promote, support and protect the red meat industry, and that no funding was transferred from AHDB to QMS. However, during 2018/19 QMS received £109,614 from AHDB from these ring fenced funds to reimburse exhibition costs incurred by QMS and this transaction is reflected in within the 2018/19 accounts of QMS.

14. Pension Schemes

The organisation participates in defined contribution pension schemes for certain employees, the assets of which are held separately from those of the organisation in independently administered funds. The pension cost charge represents contributions payable by the organisation to the schemes and amounted to £131,775 (2017/18: £113,841). The contributions outstanding at the year end amounted to £8,275 (2017/18: £7,856).

Quality Meat Scotland

STATEMENT OF ACCOUNTS

For the year ended 31 March 2019

	Levy	2018-19 Non Levy	Total	Levy	2017-18 Non Levy	Total
	£	£	£	£	£	£
Income						
Statutory red meat levy	3,876,841	0	3,876,841	3,793,195	0	3,793,195
Consumer assurance scheme fees	0	1,561,910	1,561,910	0	1,503,463	1,503,463
Grant income	0	869,724	869,724	0	457,680	457,680
Miscellaneous income	0	18,267	18,267	0	27,240	27,240
Bank interest	0	11,310	11,310	0	6,414	6,414
	3,876,841	2,461,212	6,338,053	3,793,195	1,994,797	5,787,992
Direct expenditure						
Marketing and Communications	2,115,934	497,701	2,613,635	2,413,071	84,554	2,497,625
Industry development	679,468	390,290	1,069,758	639,291	396,250	1,035,541
Economics services	255,262	0	255,262	259,001	0	259,001
Assurance scheme operating costs	0	1,525,352	1,525,352	0	1,478,595	1,478,595
Strategic Engagement	215,177	0	215,177	0	0	0
Corporate services	683,553	0	683,553	590,779	986	591,765
	3,949,394	2,413,344	6,362,738	3,902,142	1,960,385	5,862,527
Surplus / (deficit) on ordinary activities	(72,553)	47,867	(24,686)	(108,946)	34,412	(74,535)



QUALITY MEAT SCOTLAND

DIRECTION BY THE SCOTTISH MINISTERS

1. The Scottish Ministers, in pursuance of section 12(5) of The Quality Meat Scotland Order 2008, hereby give the following direction.
2. The statement of accounts for the financial year ended 31 March 2009, and subsequent years, shall comply with the accounting principles and disclosure requirements of the edition of the Government Financial Reporting Manual (FReM) which is in force for the year for which the statement of accounts are prepared.
3. The accounts shall be prepared so as to give a true and fair view of the income and expenditure and cash flows for the financial year, and of the state of affairs as at the end of the financial year.
4. In respect of section 12(4)b a copy of the statement of accounts should be sent to Scottish Ministers and the Auditor General for Scotland by *31 July* following the financial year ended 31 March. The accounts will be subject to audit by auditors appointed by the Auditor General for Scotland. The Annual Report and audited statement of accounts should be laid before the Scottish Parliament by *30 September* following the financial year ended 31 March.
5. This direction shall be reproduced as an appendix to the statement of accounts.

(David Thomson, Deputy Director, Rural Directorate Food and Drink Industry Division)

Signed by the authority of the Scottish Ministers

Dated: 30 June 2009