



Quality Meat Scotland

Annual Report and Accounts

For the 12 Months to 31 March 2023

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Performance Report

Purpose of Annual Report

Welcome to Quality Meat Scotland's (QMS) annual report and accounts for 2022/23. Our Annual Report is prepared in line with the requirements for a public body and sets out our strategic ambitions on behalf of the Scottish red meat industry for the financial year 2022/23. These are published on the QMS website www.qmscotland.co.uk. The Scottish red meat sector makes an important contribution to Scotland's rural economy, contributing over £2.1 billion to the annual GDP of Scotland and supporting around 50,000 jobs in the red meat supply chain including the farming, agricultural supply, and processing sectors.

QMS is an executive non-departmental public body of the Scottish Government responsible for the collection of the statutory red meat levy. This is collected at point of slaughter and is paid on average 77% by farmers and 23% by processors (abattoirs). We market the PGI (Protected Geographical Indication) labelled "Scotch Beef" and "Scotch Lamb" brands in the UK and abroad and promote Scottish pork products under the "Specially Selected Pork" brand. Our brands are underpinned by our internationally recognised assurance schemes which cover more than 90% of livestock farmed for red meat in Scotland. They offer consumers in the UK and overseas the legal guarantee that the meat they buy has come from animals that have spent their whole lives being raised to some of the world's strictest welfare standards. With hundreds of years of tradition behind them, Scottish farmers pride themselves on meeting the high standards of today's modern meat consumers, at home and abroad.

Overview

This section details the background to QMS, our principal activities. Strategic report, financial results and performance measures.

Background to Quality Meat Scotland

Quality Meat Scotland Ltd was formed in 2000 and was a private, not for profit company limited by guarantee. In 2008, 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 registered address of QMS is Rural Centre, West Mains, Ingliston, Newbridge, EH28 8NZ.

Purpose of QMS

QMS was established, under the Quality Meat Scotland Order 2008, as a public body, for administrative purposes, QMS is classified as an executive non-departmental public body. The powers, functions, and purpose of QMS are set out in the Order, and include: -

- Increase efficiency or productivity in the red meat sector
- Improve marketing in the red meat sector
- Improve or develop services that the red meat sector provides to the community

- Improve ways in which the red meat sector contributes to sustainable development.

Principal Activities

The key activities of QMS are focused on the purposes detailed in the Quality Meat Scotland Order 2008, the functions of QMS are specified in Schedule 1.

Our activities are 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 10,000 businesses that belong to the voluntary QMS Quality Assurance Schemes. The Quality Assurance standards cover whole of life and the whole of the production supply chain and clearly set out the standards which must be met to be eligible to market products as Scotch Beef GI, Scotch Lamb GI and Specially Selected Pork.

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

Functions of QMS

QMS has responsibility for a range of statutory functions relating to the development and promotion of the red meat industry in Scotland, as set out in Schedule 1 to the Order.

Public Funds

Scottish Ministers have defined the overall aims for QMS's use of public funds as being to ensure that the funds are used for the benefit of the Scottish levy payers and in accordance with the Quality Meat Scotland Order 2008. We develop an annual business plan for the year immediately ahead which is consistent with the agreed corporate plan.

The business plan is updated annually by QMS to include implementation plans identifying key targets and milestones for the forthcoming year. It is linked to budgeting information so that resources allocated to achieve specific objectives can be identified by Scottish Government. The business plan is updated annually by QMS to include implementation plans identifying key targets and milestones for the forthcoming year. It is linked to budgeting information so that resources allocated to achieve specific objectives can be identified by Scottish Government.

Governance

QMS has a Board of 12 members including a Chair, however in 2022/23 there were 11, due to a Board member leaving before their term ended. These individuals are all appointed by Scottish Ministers for their knowledge of the different sectors that comprise the Scottish red meat industry as well as their experience in a range of areas such as marketing, finance, and corporate governance. We have an Audit and Risk Committee and Remuneration Committee as part of our formal governance structure.

Performance Analysis

Industry Engagement

The Scottish red meat supply chain is extremely complex, consisting of a number of businesses. Foremost are businesses who pay the statutory red meat levy, those being farming businesses, and primary processors. who comprises livestock farmers and processors. However, due to the complex inter-relationships between different elements of the supply chain, QMS maintains a proactive stakeholder relationship with businesses throughout the whole supply chain. To ensure effective stakeholder engagement we have a number of stakeholders led committees that are aligned to our key functions, therefore ensuring that the work of the QMS Board and Executive team is underpinned by effective engagement with businesses across the supply chain. These stakeholder groups are:

- Beef and Lamb Marketing Advisory Group
- Pork Marketing Advisory Group
- Cattle & Sheep Industry Advisory Group
- Pig Forum
- Butchers Marketing Advisory Group
- Scottish Red Meat Industry Resilience Group
- Haulage Industry Advisory Group
- Standards Setting committees
(responsible for the co-design of our quality assurance scheme standards).

Collaboration is at the heart of the way QMS operates and defines how we engage with our unique footprint. We therefore engage not just with beef and sheep farmers, pig farmers and processors, but also with livestock auction marts, livestock hauliers and feed merchants which cover the whole production supply chain. In addition to this we engage with each of our routes to market and this includes retail butchers, catering butchers, food service providers, retailers, restaurants, and chefs. We have our butcher's marketing advisory group and bi- monthly face to face engagement with retailers.

Strategy and Operations

We develop an annual corporate business plan. This is developed with input from the QMS Board, Executive team, and all staff. It sets out the aims and objectives of QMS and of each department within QMS and the implementation plans that will support the delivery of each of our objectives. Our operations aim to provide a return on investment for our levy payers by working with all parts of the red meat sector supply chain and promoting our world class products to consumers in local, national, and international markets. We have also detailed our budget forecast for 2022/23 in order to support the achievement of these objectives.

QMS Strategy 2018 – 2023

QMS developed a 5-year strategy in 2018 QMS Strategy 2018 – 2023.

As part of our work in 2022/23 we began the process to formally review this strategy, commissioning (via public tender process) an independent review of our impact, and a series of workshops with both internal stakeholders (staff body and QMS Board), and external stakeholders

(identified key stakeholders from across the QMS footprint). The next 5-year strategy is due to be formally launched at the 2023 Royal Highland Show, and has a go live date of the 1st of April 2024.

The vision, mission, and strategic aims of the 2018-2023 strategy that underpin all the work at QMS are detailed below:

Our Vision

Our vision is to be valued by our farmer and processor levy payers and key stakeholders, as a business support organisation which delivers strongly for the Scottish red meat industry as it continues to build a global reputation for animal welfare, quality assurance and integrity.

Our Mission

Our mission is to deliver a range of activities to support the development of a sustainable, professional, profitable and resilient Scottish red meat industry. We will promote and protect the Scotch Beef PGI, Scotch Lamb PGI and Specially Selected Pork brands through clear, effective communication to ensure consumers fully understand what sets our brands apart.

Strategic Aims

Strategic Aim 1:

Build Our Brands

To build the Scotch Beef PGI, Scotch Lamb PGI and Specially Selected Pork brands through quality assurance and effective marketing and communications with consumers

Strategic Aim 2:

Support Sustainable Growth

To support the sustainable growth of the industry through strategic engagement with key stakeholders, supply chain collaboration and cascade of key market information

Strategic Aim 3:

Develop Capability and Capacity

To develop capability and capacity in the Scottish red meat industry through training and education initiatives which attract, motivate and develop the workforce

Strategic Aim 4:

Deliver Professional Services

To deliver professional services which support the continued growth of a resilient, professional Scottish red meat industry able to grasp opportunities and meet challenges

Our 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 and Drink's "Ambition 2030" vision.

Our strategy is supported by an Implementation plan that highlights the key activities that we undertake on an annual basis. The implementation plan is fully costed with activity updates and financial progress reported at each Board meeting. We have a strong track record of effective delivery and the resilience required to continue to support the sector and we can react quickly to challenges and opportunities as they arise.

Financial Results

The results for the year to 31 March 2023 are shown on page 39, together with the notes on pages 43 to 52. QMS made an operating surplus, before bank interest, of £195k for the year to 31 March 2023 (2021/22 - £115K surplus). This surplus was achieved against a budgeted deficit of £61k due to higher than expected levy income together with savings achieved on operational running costs. A revised budgeted deficit of £61k was approved by the Board in September 2022. The original budget approved by the Board in February 2022 was for a deficit of £77k. The budget was updated due to significant external factors impacting both income and expenditure. These included: The prolonged crisis in the pig sector leading to significant reduction in the Scottish pig breeding herd and

therefore our levy income; an increased outflow of store cattle impacting the Scottish cattle kill, and significantly inflated costs across the board from inflation triggered by the ongoing conflict in Ukraine, all requiring a reassessment of priorities for delivery to ensure the finances of the organisation remained on stable footing.

In February 2023 the Board approved a £59k deficit budget for the year 2023/24. The budget was planned to ensure that we could meet our strategic objectives.

Strategic Report

During 2022/23 key agreed activities were undertaken, in line with Quality Meat Scotland's strategic aims to support, protect, promote, and develop Scotland's red meat industry and the businesses which operate within it, plus helping improve profitability, efficiency and sustainability.

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

On the 11th of April 2022, Sarah Millar took up her post as Chief Executive of QMS. This came at a time of great challenge and uncertainty for businesses across the Scottish red meat supply chain, following the Russian invasion of Ukraine. In addition, QMS was also made aware of a potential upcoming change to how VAT on statutory red meat levy would be treated following a test case with AHDB. As a result of this, and the resulting inflationary pressures on all businesses, QMS undertook a process of review and prioritisation of its activities and budget for the 2022/23 financial year. This was to ensure that the organisation hadn't over committed itself during a period of financial uncertainty, and to ensure that its activities were still appropriate during a time of business uncertainty. This review was presented and accepted by the QMS board in September 2022.

During 2022/23 businesses across the red meat supply chain were subject to extreme market forces following the fallout from the war in Ukraine. Largely driven by significant increases in energy costs which then went on to impact almost every single business input, confidence, both at consumer and business level was at an all-time low. This has particularly impacted our pig sector, who are most exposed to global changes in energy and feed costs, with a significant reduction in breeding sow numbers, estimated at 15%. Similarly, the Scottish suckler cow herd has also faced reductions, with the January 2023 cattle population data estimated to have contracted by 3.3% year on year. These livestock reductions will filter through to our levy collections in the following years, which QMS is monitoring and undertaking specific activities to mitigate where possible.

We continued to evolve our Quality Assurance offer in 2022/23, following the onboarding of new certification body Food Integrity Assurance. We continued to provide whole of life, whole of production supply chain Quality Assurance for circa 10,000 members. As part of our continual improvement process at QMS we instigated reviews of a number of areas within Quality Assurance, including reviewing the process we go through to set standards to ensure it aligns with stakeholder needs. This has led to a new step of consultation with members ahead of standard changes going live and slowing the process down to ensure stakeholders are able to have full discussions with their

membership constituencies. These changes ensure QMS is effectively engaging with its members around the issues that impact them directly. We also undertook the design of a new set of membership rules, effectively aligning our terms and conditions of membership into one document to aid transparency and accountability with regards to assurance scheme decision making.

A major flagship program of the 2022/23 year was the launch of the new 2022-2026 Monitor Farm Scotland Program following funding confirmation from Scottish Government. This program had several changes from previous years including a change in delivery model, with a team of inhouse members of staff recruited to deliver the new program to increase the impact and deliver a more consistent output. The program has had a successful first year, measured by the successful recruitment of the staff delivery team, host monitor farmers, associated management groups and delivery of the first set of open meetings reaching over 600 businesses within the Scottish red meat supply chain. The program was also honoured to receive a visit from HRH Princess Royal through her patronage of the Scottish Chefs Club, recognising the program's role in developing sustainable production systems that input into the food service sector.

Due to the turbulent business environment driven by the war in Ukraine, QMS further focused its work on engaging with decision makers across Holyrood, Westminster, and Local Authorities to ensure the needs of the Scottish red meat supply chain were recognised when developing policy. This involved a range of 121 meetings with MSP's, ministers, and MP's, including a first engagement trip by QMS to Westminster. We also organised a number of in-business meetings with politicians during the summer recess, using the opportunity to demonstrate first-hand the role the whole supply chain plays in sustainable economic development at a local level.

2022/23 saw the reintroduction of our usual business development activities that had been curtailed in previous years due to the Covid-19 pandemic. A particular highlight was the return to the world's largest food and drink trade fair at SIAL, where QMS hosted the largest ever delegation of businesses exporting Scottish red meat, with over 45 members of the Scottish supply chain attending over the 5 days. This activity led to an estimated £14 million pounds of new business for businesses who attended. In addition to this, QMS undertook a number of other trade building activities across the supply chain including working directly with businesses to introduce new Scotch and Specially Selected ranges, and to provide market and category insight to underpin new market and product development. Development was seen across each of the key routes to market, with an increase in Scotch ranging seen across multiple retailers, as well as increased development with members of the independent butchery community including a number of workshops focused at apprentices and focusing on driving innovative product development.

In 2022/23 our marketing activities had to pivot slightly to reflect the cost-of-living crisis that faced consumers following the impact of the war in Ukraine on global markets. Our marketing campaigns are focused on showcasing the sustainable credentials of Scotch meat alongside how they can be utilised in a family-friendly budget, targeting a mainly flexitarian audience who want to buy less but buy better quality. We showed that local, traceable Scotch Beef PGI, Scotch Lamb PGI and Specially Selected Pork is the best choice for mindful consumers. Our campaigns reach 74% of adults in Scotland. We continued to focus our campaign delivery through integrated digital campaigns,

utilising targeted influencer activity alongside digital advert delivery, ensuring our messages reach the right people in the right way to ensure we are targeting our spending effectively.

Our communications activity spans 3 categories; consumer, corporate, and industry, giving us 3 key audiences, that content is served to through a number of different mediums. Through the year we focused on reviewing our corporate and industry communications, following feedback from levy payers on how they wanted to be communicated with, and the need to revamp our visibility as an organisation. This involved a 9-month campaign to engage directly with levy payers through a series of open meetings, engagement by the Chair, Chief Executive, and members of the QMS board at Summer Shows and attending key sale dates at auction markets. This enhanced engagement was reflected in positive feedback from stakeholders and will be continued in the coming years as we evolve our engagement tactics. A further focus in recent years has also been the use of toolkits to convey key messages around key subjects; including key messaging around sustainability and net zero ahead of COP27, Love Lamb Week, and Veganuary.

Our consumer communications work this year was focused on using our brand character to engage consumers in the unique selling points of Scotch and Specially Selected. One of the innovative campaign pieces which has been shortlisted for a Consumer Relations award at the PRCA Dare awards was the 'Bite Back Midge Marinade' campaign. This used a tongue in cheek Scottish summer issue with midges to drive activity that centred around how the scotch brands could be used as a midge repellent- with a range of sustained consumer communications as a result.

Similar to our Market Development activities, 2022/23 saw our Health and Education team return to a pre-covid programme of activity, being engaged out and about in the community including delivering workshops and seminars to primary and secondary school children, hospitality students, butchery apprentices, and other children at consumer facing events such as the Royal Highland Show, and Scotsheep. In a bid to tackle Scotland's obesity epidemic and educate the next generation of consumers, QMS has delivered 322 'meat vouchers' to schools across Scotland. This year we revamped the activity to give a wider programme of activities around the vouchers, delivered through the 'Tasty Little Week' initiative. These vouchers enable schools to purchase quality assured meat and to educate their pupils on the benefits of it and also have the opportunity to taste it and to undertake lessons around the production of the meats- giving a full field to fork learning experience.

Throughout the year the organisation has continued to evolve in the post pandemic landscape to how our work is carried out. We have focused on staff engagement and development, including developing our first set of organisational values and a new approach to appraisals linked to these values. We have continued to evolve our hybrid working style, utilising face to face office time for team meetings, team development and collaborative projects to ensure we are utilising staff time and resources to our best advantage.

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. Departmental performance is measured against project and business as usual (BAU) activity delivery, with projects and BAU activity signed off annually by the accountable officer and the QMS board.

An overall summary of actual performance using implementation plans goes to each Board meeting. The implementation plans plot progress against each performance measure using a Brown, Red, Amber, and Green (BRAG) tracking system, this identifies actions which are Brown (not due to start yet), Red (due to start but not yet started) Amber (actions started which are behind schedule) and Green (actions that are on schedule). 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 also recorded on the plan and new actions that are required during the year, are added.

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 detail all the key activities that we aim to achieve within 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 governance procedures, we measure our performance against the Programme for Government Themes and produce statements on Information and Communications Technology, Climate Change Duties and Equality of Opportunity. We also 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.

The total at the bottom highlights the 93 planned projects for the year. These are summarised by strategic objective. The BRAG system summarises the status of projects at the end of the year. B for brown highlights the number of projects that we were unable to start during the year totalling 8.

| Strategic Aim | B | R | A | G | Grand Total |
|--------------------------------------------------------------------|----------|----------|---|-----------|-------------|
| To develop a profitable and sustainable Scottish red meat industry | 6 | 1 | | 20 | 27 |
| To promote a profitable and sustainable Scottish red meat industry | | | | 26 | 26 |
| To protect a profitable and sustainable Scottish red meat industry | 1 | 1 | | 7 | 9 |
| To support a profitable and sustainable Scottish red meat industry | 1 | | | 30 | 31 |
| Grand Total | 8 | 2 | | 83 | 93 |

The two projects under the red status both sit within the Market Intelligence and External Affairs team. Due to the higher-than-expected workload as a result of legislative and committee consultations the hot topics newsletter was de-prioritised. Similarly, the collaborative public affairs work in the form of a joint parliamentary event was started, however the event did not go ahead due to the death of HM The Queen, and a replacement date for the activity was not in place by the end of this financial year.

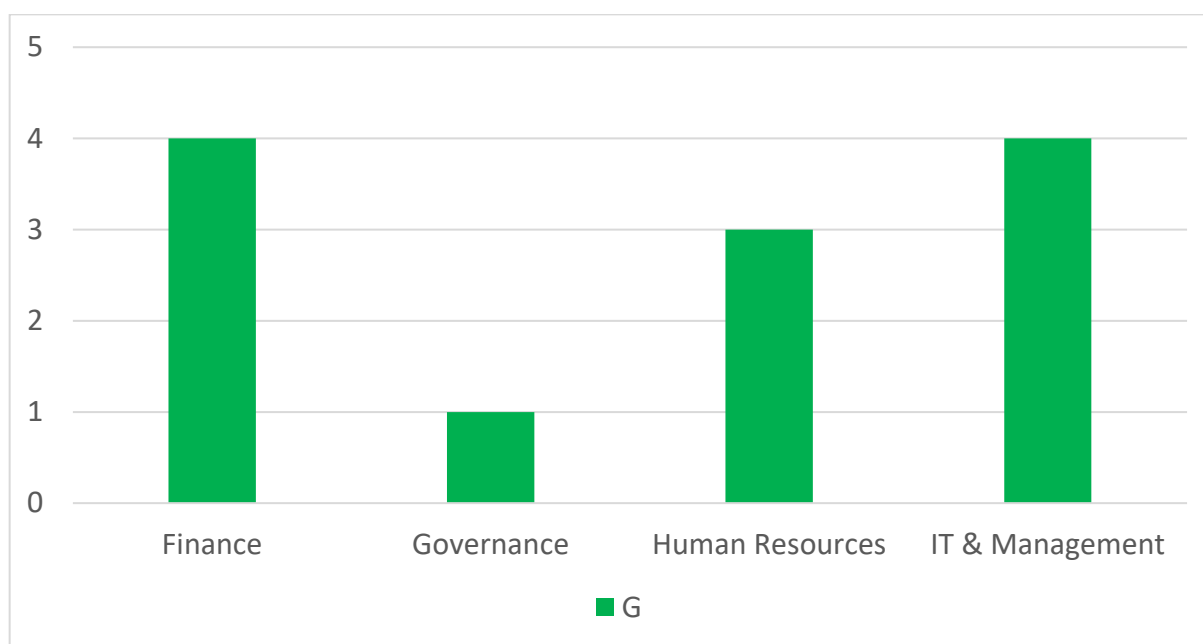
Implementation Plans by Department

We have detailed key highlights from our implementation plans for each of our departments: - Brands Integrity, Corporate Services, Industry Development, Market Development, Marketing and Communications, Market Intelligence & External Affairs.

An organisation chart is included on page 32 within the Remuneration Report.

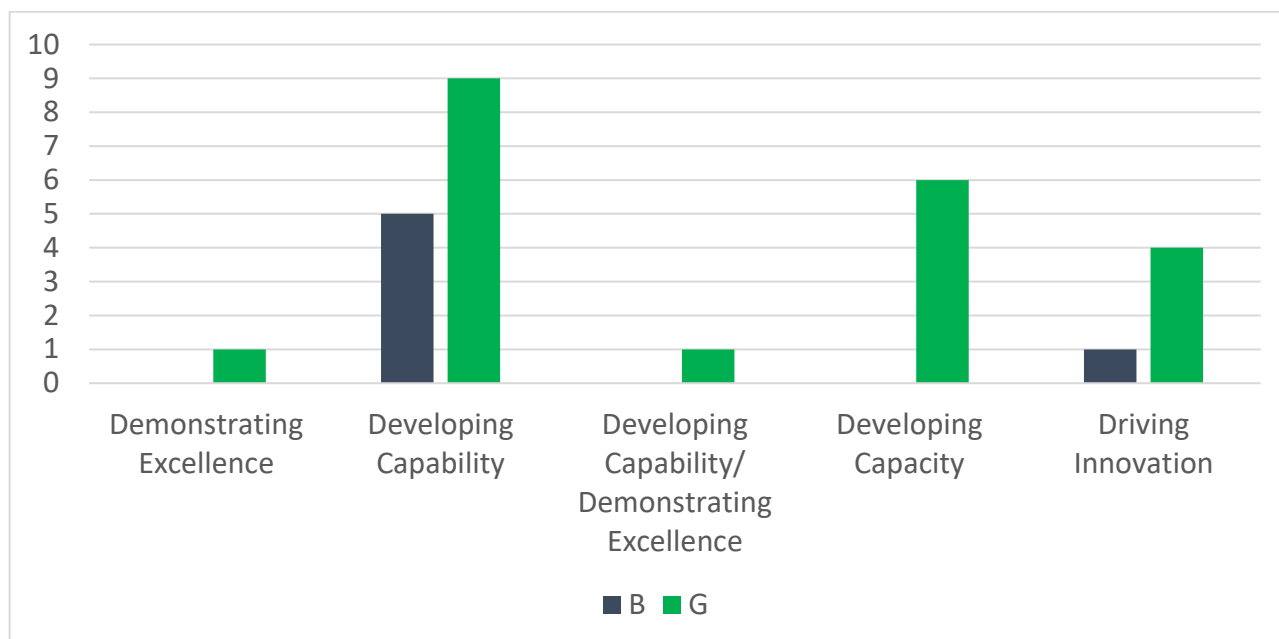
Corporate Services

| Work Package | Green | Grand Total |
|--------------------|-----------|-------------|
| Finance | 4 | 4 |
| Governance | 1 | 1 |
| Human Resources | 3 | 3 |
| IT & Management | 4 | 4 |
| Grand Total | 12 | 12 |



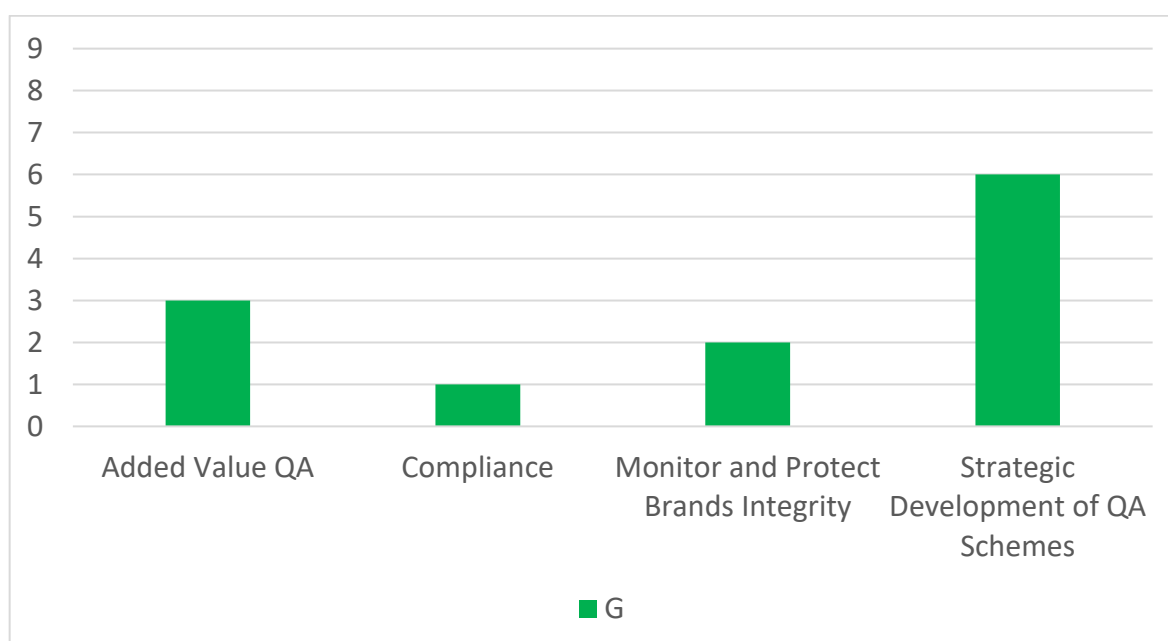
Industry Development

| Work Package | Brown | Green | Grand Total |
|-------------------------------------------------|----------|-----------|-------------|
| Demonstrating Excellence | | 1 | 1 |
| Developing Capability | 5 | 9 | 14 |
| Developing Capability/ Demonstrating Excellence | | 1 | 1 |
| Developing Capacity | | 6 | 6 |
| Driving Innovation | 1 | 4 | 5 |
| Grand Total | 6 | 21 | 27 |



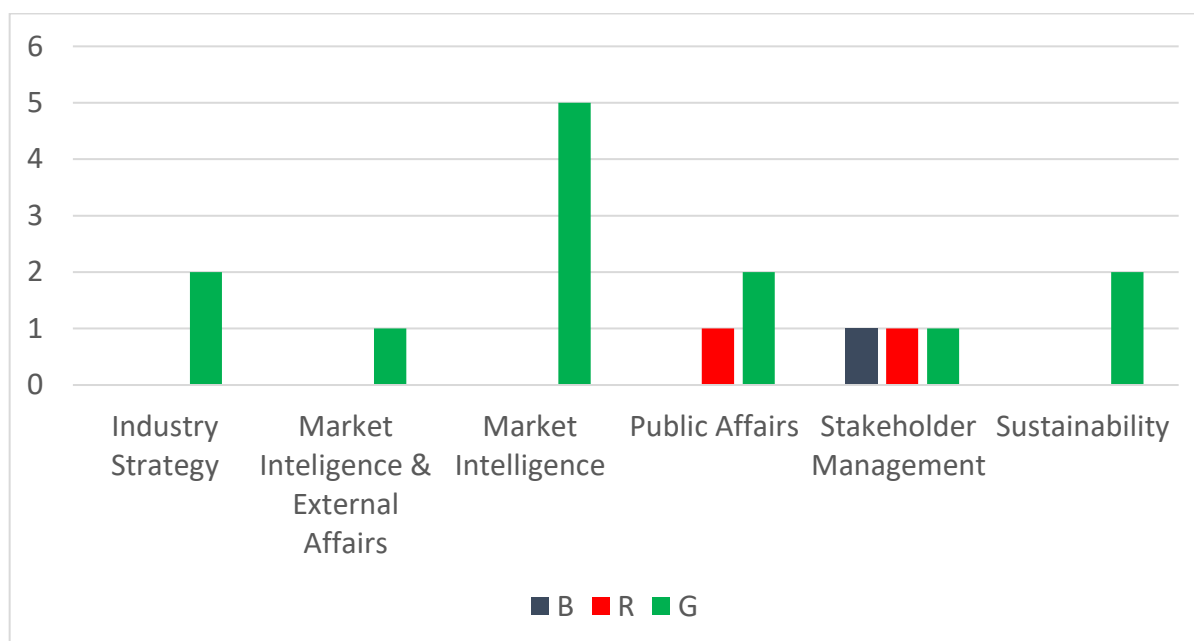
Brands Integrity

| Work Package | Green | Grand Total |
|--------------------------------------|-----------|-------------|
| Added Value QA | 3 | 3 |
| Compliance | 1 | 1 |
| Monitor and Protect Brands Integrity | 2 | 2 |
| Strategic Development of QA Schemes | 6 | 6 |
| Grand Total | 12 | 12 |



Market Intelligence and External Affairs

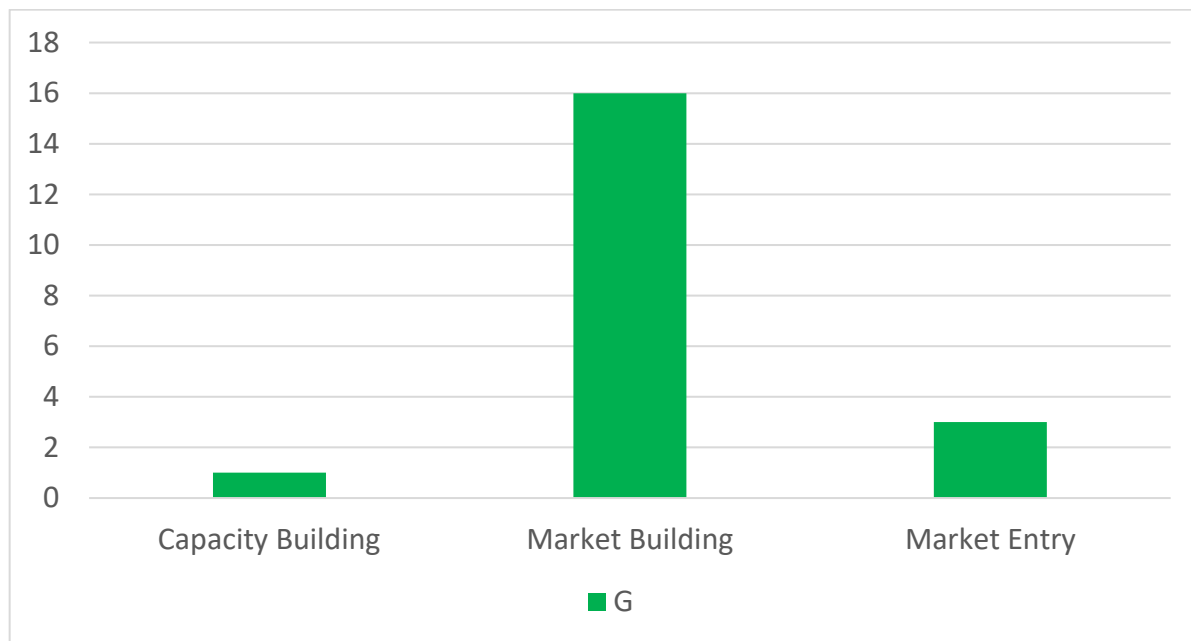
| Work Package | Brown | Red | Green | Grand Total |
|----------------------------------------|----------|----------|-----------|-------------|
| Industry Strategy | | | 2 | 2 |
| Market Intelligence & External Affairs | | | 1 | 1 |
| Market Intelligence | | | 5 | 5 |
| Public Affairs | | 1 | 2 | 3 |
| Stakeholder Management | 1 | 1 | 1 | 3 |
| Sustainability | | | 2 | 2 |
| Grand Total | 1 | 2 | 13 | 16 |



Red projects detailed on page 13.

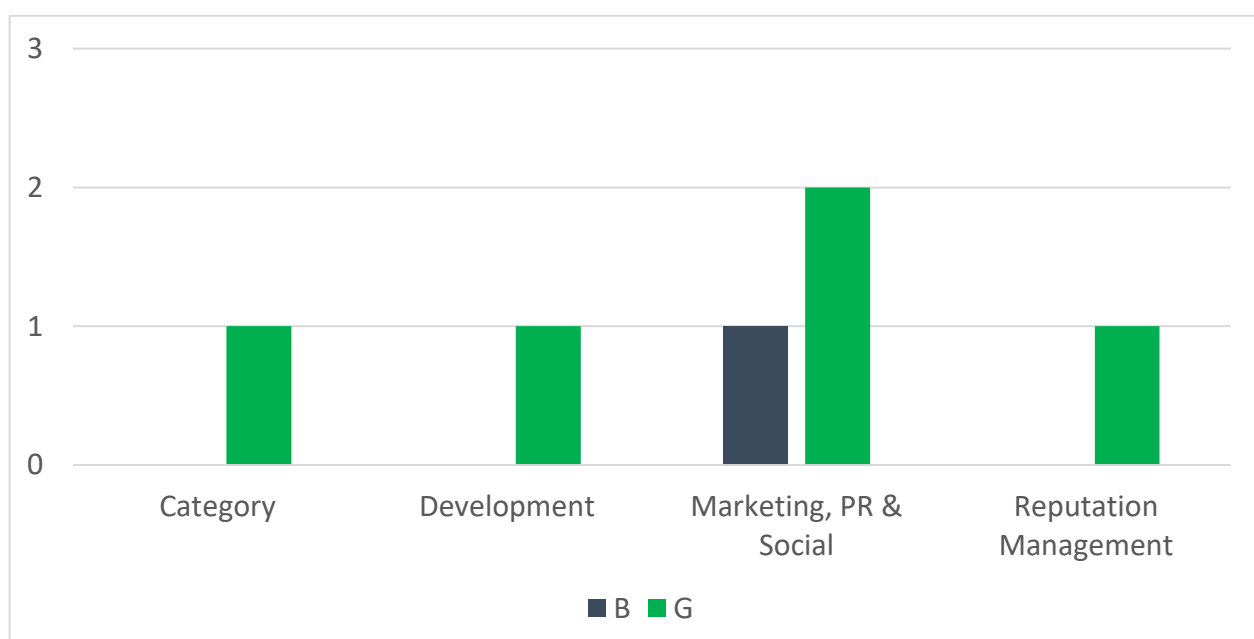
Market Development

| Work Package | Green | Grand Total |
|--------------------|-----------|-------------|
| Capacity Building | 1 | 1 |
| Market Building | 16 | 16 |
| Market Entry | 3 | 3 |
| Grand Total | 20 | 20 |



Marketing and Communications

| Work Package | Brown | Green | Grand Total |
|------------------------|----------|----------|-------------|
| Category | | 1 | 1 |
| Development | | 1 | 1 |
| Marketing, PR & Social | 1 | 2 | 3 |
| Reputation Management | | 1 | 1 |
| Grand Total | 1 | 5 | 6 |



Key Deliverables by Department

The Implementation Plans provide us with a focus to ensure that all our activities meet our strategic aims and objectives. This breaks down by department as follows: -

| Department | Actual 2022/23(£) | % of Actual Total 2022/23 | Revised Budget 2022/23(£) | % of Budget Total 2022/23 | % of Budget Total 2021/22 (Comparison) |
|---------------------------------------------|----------------------|---------------------------------|---------------------------------|---------------------------------|----------------------------------------------|
| Brands Integrity | 1,689,697 | 24.9% | 1,744,749 | 24.9% | 24.2% |
| Corporate Services | 790,798 | 11.6% | 749,491 | 10.7% | 10.0% |
| Industry Development | 855,928 | 12.6% | 990,788 | 14.2% | 12.6% |
| Market Development | 443,776 | 6.5% | 461,210 | 6.6% | 6.8% |
| Marketing and Communications | 2,464,019 | 36.2% | 2,470,190 | 35.3% | 38.0% |
| Market Intelligence and External Affairs | 553,659 | 8.1% | 582,383 | 8.3% | 8.4% |
| TOTAL | 6,797,877 | 100% | 6,998,811 | 100% | 100% |

Income

During the 2022/23 year, QMS received £5.18m (2021/22 - £5.04m) 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 £1.48m (2021/22 - £1.53m) is charged on a cost recovery basis and is used to cover the cost of assurance audits, which were outsourced to Food Integrity Assurance (FIA) as well as the management and administration of the various assurance schemes. Other income received includes £0.23m (2021/22 - £0.13m) in grants and £0.10m (2021/22 - £0.18m) in repatriated ring-fenced funds, bank interest and other miscellaneous income.

Statutory Red Meat Levy £5.18m

| | 2022/23 | 2021/22 |
|--------------|-------------------|-------------------|
| Cattle | £2,657,310 | £2,536,185 |
| Sheep | £1,725,025 | £1,748,692 |
| Pigs | £796,929 | £753,602 |
| TOTAL | £5,179,264 | £5,038,479 |

Quality Assurance Scheme Fee Income

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

| | 2022/23 | 2021/22 |
|---------------------|-----------------|-----------------|
| Scottish Government | £228,169 | £62,508 |
| Others | £0 | £64,649 |
| TOTAL | £228,169 | £127,157 |

QMS received one grant from the Scottish Government. The grant from the Scottish Government's Knowledge Transfer and Innovation Fund (KTIF) fund the Monitor Farm Programme which is managed jointly by QMS and AHDB Cereals and Oilseeds. The KTIF projects focus on the sharing of best practice to improve the productivity, profitability, and sustainability of Scottish farmers.

Levy Repatriation

The total amount of levy collected in Scotland for the year was £3,630,658 (2021/22 £3,655,545) and in addition a total of £1,548,607 (2021/22 £1,382,934) of repatriated levy was collected making a total levy income for QMS of £5,179,264. (2021/22 £5,038,479)

Corporate Services

Spending on 'Spending on corporate services' of £790,798 (2021/22 £746,232) against a revised budget of £749,491 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 16 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 24 days during 2022/23 (2021/22 – 26 days).

Sarah Millar

Sarah Millar:
Chief Executive and Accountable Officer

27 July 2023

The Accountability Report

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) | Andy McGowan |
| Scott Henderson | Charles Milne (A) |
| Ann Irvine (A) | Gordon Wallace (A) |
| Ian Bentley (R) | Niall Jeffrey (A) |
| Scott Jarron | Peter Brown (A) (R) |
| Adrian Ivory | |

(R) indicates membership of the Remuneration Committee.

(A) indicates membership of the Audit and Risk Management Committee.

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

Personal Data Incidents

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

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 and Accountable Officer Responsibilities

Under article 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 20. Details of the Accountable Officer, who is the Chief Executive of QMS, are reported on page 30.

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.

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.

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 2023 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 2023, covering a range of corporate governance requirements.

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 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.

The QMS board, including the chair, consists of 12 members however in 2022/23 there were 11. These individuals appointed by Scottish Ministers in line with the Code of Practice issued by the Commissioner for Public Appointments in Scotland. The Board has corporate responsibility for ensuring that QMS fulfils the aims and objectives set by the Scottish Ministers and for promoting the efficient and effective use of staff and other resources by QMS in accordance with the principles of Best Value. The Board met 5 times.

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. QMS are striving to comply with the Gender Representation on Public Boards (Scotland) Act 2018, with steps taken to increase female representation on the QMS board including holding dedicated webinars with potential board members, explaining the appointment process and role of the QMS board, and increasing advertising on available board positions in a greater range of publications and stakeholder communications.

During 2022/23 the board appointment process was initiated to recruit 3 new board members to QMS. They were appointed to start on the 15th April 2023.

The Board in pursuit of its wider corporate responsibilities, shall:

- establish the overall strategic direction of QMS within the needs of the industry and the policy, planning and resources framework determined by the Scottish Ministers;
- ensure that Scottish Ministers are kept informed of any changes which are likely to impact on the strategic direction of QMS or on the attainability of its targets and determine the steps needed to deal with such changes.

The Chair is appointed by Scottish Ministers in line with the Code of Practice issued by the Commissioner for Public Appointments in Scotland. The chair is accountable to the Scottish Ministers and may also be held to account by the Scottish Parliament. Communications between the NDPB board and the Scottish Ministers should normally be through the chair. The Chair has a particular leadership responsibility in formulating the Board's strategy.

The Chief Executive of QMS is designated as Accountable Officer by the Principal Accountable Officer of the Scottish Administration in accordance with Sections 14 and 15 of the Public Finance and Accountability (Scotland) Act 2000.

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. The Audit and Risk Management Committee met 3 times in the 2022/23 year. The minutes of the Audit and Risk Management Committee can be found on the QMS website: [Board Minutes | Quality Meat Scotland \(qmscotland.co.uk\)](https://www.qmscotland.co.uk/board-minutes)

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 whistle-blower's procedure set out in the Staff Handbook and a member of the Board is appointed so as to be directly available to whistle-blowers.

Register of Interests

Quality Meat Scotland maintains Registers of Interests that cover all senior managers and Board Members. These can be found on our website:

Board – <https://www.qmscotland.co.uk/qms-board-register-interests-2022-2023>

Executive Team - <https://www.qmscotland.co.uk/qms-executive-team-register-interests-2022-2023>

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. We have worked to update our risk register to ensure that the Board is aware of the key issues that we are facing at any point in time. 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 2023/24.

The risks below detail the most critical risks to both the organisation and the wider supply chain from which the organisations sits within.

| Risk or Uncertainty Trend | Description | Risk Appetite | Key Mitigations |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| EU Exit | Impact of reduced trade with the EU due to additional costs due to additional administration procedures including Export Health Certificates and the added complications of the Northern Ireland Protocol. | This could be particularly difficult for the sheep sector. QMS are committed to maintaining and building our sheep meat markets. | In partnership with AHDB and HCC we have developed a significant marketing campaign to assist to protect the lamb sector. Engaging with UKCEP to get more Scottish abattoirs licensed to export. Working with the Scottish and UK Governments to develop contingency plans |
| The potential closure of the European market, even on a temporary basis, will give the sector major challenges. Looking forward we have developed contingency plans should this happen as there could be a major animal welfare issue for the sheep sector. | | | |

| | | | |
|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| International trade negotiations and currency fluctuations | Concern over access to international markets in future trade deals | QMS are committed to assisting processors to build on existing markets and develop new high quality and fifth quarter markets. | <p>Maintain close contact with processors to share knowledge.</p> <p>Promote political and industry awareness of impact.</p> <p>Working in partnership with AHDB, HCC to exhibit at international trade shows to promote our world class brands and UKECP to develop the capability and capacity of processors to export.</p> |
| Looking forward in partnership with AHDB and HCC we are developing a calendar of trade shows, developing a new QMS trade show stand, and identifying a series of inward missions to reinvigorate our export activities. | | | |

| Risk or Uncertainty Trend | Description | Risk Appetite | Key Mitigations |
|-----------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Meeting the Scottish Government Targets on Climate Change | The Scottish Government have developed a Climate Change Plan 2018 – 2032, which has been updated to reflect the world's most ambitious framework of climate targets as enshrined in Scotland's Climate Change Act 2019. | QMS are committed to working with the Scottish red meat sector to meet these challenging targets. | <p>Supporting the work of the Farmer led Groups tasked with identifying how farmers can reduce their carbon footprint and reduce emissions from farming practices.</p> <p>Identify and disseminate actions being undertaken by the Scottish red meat sector to meet these targets.</p> <p>Lead the Scottish Red Meat Resilience Group to agree our strategy for sustainable farming and influence policy makers highlighting the actions we have taken</p> |

Scotland has the most ambitious climate legislation in the world. Our 2030 target of 75% reduction goes beyond what the Intergovernmental Panel on Climate Change says is needed globally to prevent warming of more than 1.5 degrees. It is therefore rightly ambitious and extremely stretching. QMS are committed to leading the sector to achieve this.

| Risk or Uncertainty Trend | Description | Risk Appetite | Key Mitigations |
|--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|----------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Loss of income | Trend of reduction in cattle numbers in Scotland is leading to a 2-3% reduction in cattle levy annually. | QMS committed to reversing this trend. | Working across the red meat supply chain to identify how to increase sales and reduce costs meaning more profitability across the supply chain. |
| There is significant investment going on in the processing sector which will increase the processing capacity. Looking forward, this means that more animals from outside of Scotland could be processed here. This is a dichotomy for us as we would collect the processor part of the levy on them, but they wouldn't be eligible to carry the Scotch brands. | | | |
| Reduction in industry skill levels | This is an issue right across the red meat supply chain | QMS committed to addressing the skills gap in collaboration with Scotland Food and Drink, Skills Development Scotland and learning providers. | Our Industry Development team have refocused their activities and are concentrating on business improvement and widening the understanding of how the supply chain works through our Meat the Market work. We work closely with industry partners including LANTRA and FDFS to promote industry careers. |
| The lack of skilled labour is a sector wide issue and with the reduction in European and other foreign workers seeking jobs this is a major issue. Looking forward we have identified key roles that have been included in the skills shortage list to enable foreign workers to take up jobs and through our industry development work we are committed to continuous professional development across the sector. | | | |

| | | | |
|-----------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| Anti-Red Meat Agenda | Media coverage often based on world wide statistics rather than Scottish data. | QMS Communications department committed to proactively promoting our practices and defending our industry. | QMS working with our key stakeholders to develop and agree key messages that can be used in consumer communications for each of our 3 key challenge areas:- Human Health, Animal Welfare and Sustainability including Climate Change. |
| Looking forward we aim to use the current lessons learned from COVID-19 in our sustainability and climate change messaging. | | | |

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. This included commissioning in early 2022 the development of the Scottish Red Meat Industry Net Zero and Nature Restoration Roadmap, due to be published in Autumn 2023.

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.

We have also introduced several HR procedures and processes including an annual training plan to ensure that we are meeting the needs of our industry and our people.

Independent Internal Auditor

The appointed internal auditor (TIAA) 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. Our Internal auditors are satisfied that, for the areas reviewed during the year, Quality Meat Scotland has reasonable and effective risk management, control, and governance processes in place.

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.

Committees

QMS has an internal committee structure that can be seen on page 7 under "Industry Engagement"

Business Plans and Budgets

The original budget for the 2022/23 financial year was set in February 2022. Following the fast-changing business and consumer environment driven by the war in Ukraine and resulting economic inflation, this budget was reviewed in detail by the incoming Chief Executive and department heads to ensure QMS would have the resources to deliver what it required under inflationary pressures. This resulted in a modified budget being presented to the September meeting of the QMS Board and used from that point forward to plan decisions relating to expenditure.

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
- 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 the Audit and Risk Management Committee for confirmation that management action in relation to risks identified, has been implemented.

The measures listed above have been in place for the duration of the financial year and up to the date of the approval of the annual report and accounts and are sufficient to address any weakness identified and to ensure the continuous improvement of the system.

Remuneration and Staff Report

Remuneration Committee

The Remuneration Committee is made up of three board members, including the board Chair. The Remuneration Committee met 3 times during the 2022/23 year. During 2022/23 the members were:

- Peter Brown (Board Member and Committee Chair)
- Kate Rowell (Board Chair)
- Ian Bentley (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 dependents, 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 (Audited)

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.

| | 2022/23 | | | | 2021/22 | | | |
|----------------------------------------------------|------------------------------------------|-----------------|--------------------------------------|------------------------------------------|-----------------|-----------------|------------------|----------------|
| | Salary £'000 | Benefit £100 | Pension £'000 | Total £'000 | Salary £'000 | Benefit £100 | Pension £'000 | Total £'000 |
| Chief Executive Sarah Millar Started 11/04/22 | 115-120 Annual equivalent 115-120 | - | 10-15 Annual equivalent 10-15 | 130-135 Annual equivalent 130-135 | - | - | - | - |
| Chief Executive Alan Clarke 01/04/22 – 11/04/22 | 0-5 Annual equivalent 120-125 | - | 0-5 Annual equivalent 15-20 | 5-10 Annual equivalent 135-140 | 105-110 | - | 15-20 | 120-125 |

QMS contributed to a defined contribution pension scheme on behalf of Sarah Millar. QMS contributed directly to a private pension scheme on behalf of Alan Clarke. Neither Sarah Millar nor Alan Clarke were part of a government pension scheme arrangement.

A 12-month notice period was agreed with the previous Chief Executive in November 2021 with payments continuing to be made to Alan Clarke from 11 April 2022 to 30 November 2022. These payments were made under contractual obligations agreed as part of his employment terms by the QMS Board following discussions between the QMS Chair, legal advisors, and sponsor team. This allowed for a period of gardening leave to protect commercially sensitive relationships during the handover period. Remuneration of £78k and pension contributions of £16k. The amounts paid are included in the staff costs in note 4.

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

| BOARD MEMBER | 2022/23 £'000 | 2021/22 £'000 | BOARD MEETINGS ATTENDED |
|---------------------------------|------------------|------------------|-------------------------------|
| Kate Rowell (Chair) | 45-50 | 35-40 | 5/5 |
| Ann Irvine | 0-5 | 5-10 | 5/5 |
| Scott Henderson | 5-10 | *0-5 | 5/5 |
| Andy McGowan | 0-5 | 0-5 | 4/5 |
| Charles Milne (left 12/10/2022) | 0-5 | 0-5 | 3/3 |
| Gordon Wallace | 0-5 | 0-5 | 5/5 |
| Ian Bentley | 0-5 | 0-5 | 5/5 |
| Peter Brown | 0-5 | 0-5 | 5/5 |
| Adrian Ivory | 0-5 | 0-5 | 5/5 |
| Niall Jeffrey | 5-10 | 0-5 | 5/5 |
| Scott Jarron | 0-5 | 0-5 | 5/5 |

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

Board Members and the Chair are remunerated at an agreed rate for time spent on board business.

*Restated from the 2021/22 final accounts (5-10)

Compensation and Exit Packages Agreed in the Year To 31 March 2023 (Audited)

| | 2022/23 | 2021/22 |
|--------------------|---------|---------|
| < £10,000 | 0 | 0 |
| £10,001 - £25,000 | 0 | 0 |
| £25,001 - £50,000 | 0 | 0 |
| £50,001 - £75,000 | 0 | 1 |
| £75,001 - £100,000 | 0 | 0 |

No exit packages related to compulsory redundancy or to Board members.

Sickness Absence

During 2022/23, a total of 48.3 days (2021/22 – 66.5 days) were lost to sickness absence. This equated to 0.7% (2021/22 – 1.1%) of available staff days.

Consultants (Audited)

During 2022/23 QMS spent £25.4k on consultants (2021/22 - £27k).

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.

| | 2023 | 2022 | % Change |
|-----------------------------|--------------------|--------------------|----------|
| Range of staff remuneration | 25,709 – 75,808 | 24,440 – 78,871 | (8%) |

| | | | |
|-----------------------------------------------------------|-----------|-----------|------|
| Highest earning Director's total remuneration | 115-120 | 105-110 | 9.3% |
| Median | 47,199 | 45,900 | |
| Ratio | 1.64 | 1.69 | |
| 25th Percentile | 35,597 | 33,840 | |
| Ratio | 2.18 | 2.29 | |
| 75th Percentile Pay | 52,159 | 60,462 | |
| Ratio | 1.49 | 1.28 | |
| Total annualised salary cost (excl highest paid Director) | 1,297,834 | 1,246,289 | |

In 2022/23 and 2021/22, 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.

The changes in pay ratio's reflect changes in the staff composition and salary sacrifice arrangements over the year to 31st March 2023.

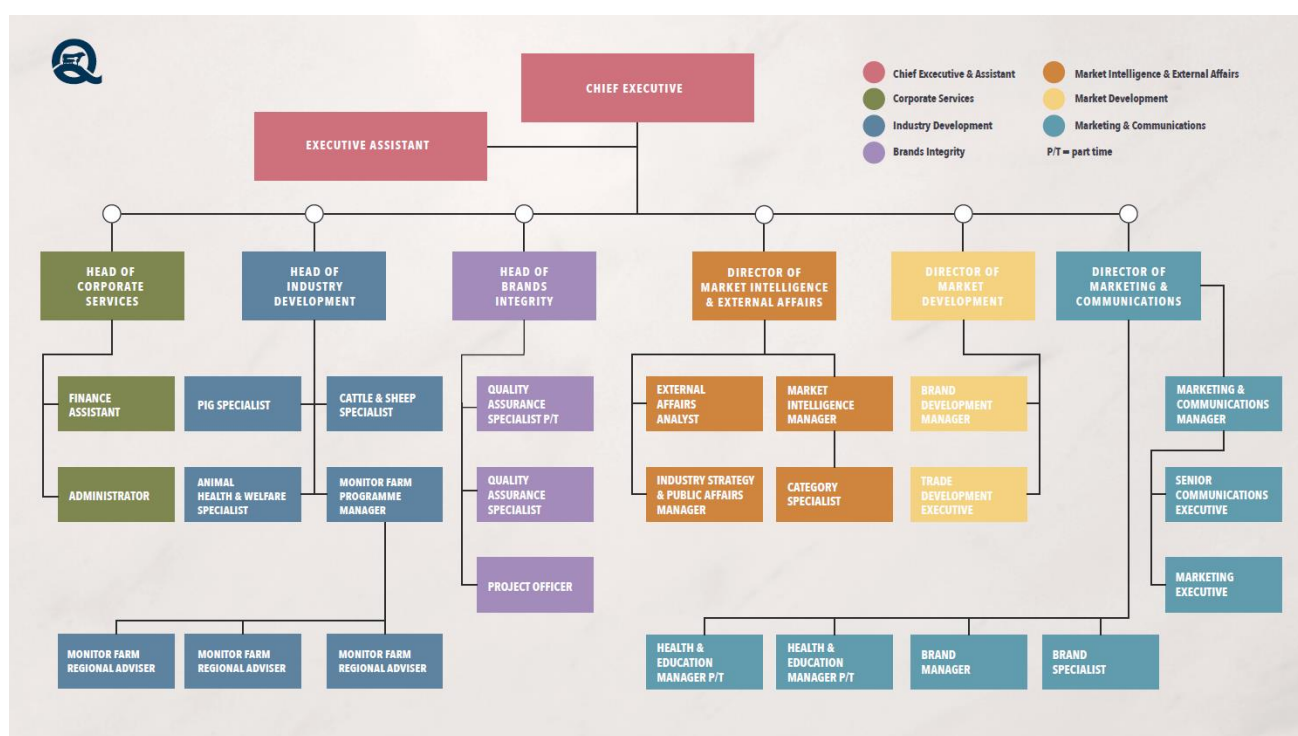
Staff Costs and Average Numbers (Audited)

For the year ended 31 March 2023, we employed a total of 28 permanent staff (26 in 2021/22). There were no staff on temporary contracts (nil – 2021/22).

Total staff costs for 2022/23 were £1,694k (2021/22: £1,569k). Further breakdown of staff costs is included in Note 4 on page 46.

Staff turnover for the year was 10% up from 7% in the previous year.

Organisation Chart



Staff Composition

The gender split of the average full-time equivalent staff employed across the QMS in 2022/23 was 17 (64%) female and 10 (36%) male (2021/22: 67% female, 33% male). The average gender split of the Board in 2022/23 was 8.5 (81%) male and 2 (19%) female: (2021/22 71% male, 29% female).

On the 11th April 2022 Sarah Millar took over the responsibilities of Chief Executive and Accountable Officer for Quality Meat Scotland from Alan Clarke.

Equal Opportunities, Diversity, and Inclusion

We are committed to ensuring equal opportunities, equality, and diversity in the workplace for all employees as per our policy and ensuring we train and develop our management team.

Parliamentary Accountability Disclosures

Losses and special Payments

In accordance with the SPFM, we are required to disclose losses and special payments above £300,000. During 2022/23 there were no losses or special payments within these criteria (2021/22: £nil).

Remote Contingent Liabilities

Quality Meat Scotland is required to report any liabilities for which the likelihood of a transfer of economic benefit in settlement is too remote to meet the definition of contingent liability under IAS37. There are currently no remote contingent liabilities. (2022/23: £nil).

Gifts and Charitable Donations

2022/23 £nil. (2021/22: £nil).

Fees and Charges

2022/23 £nil. (2021/22: £nil).

Sarah Millar

Sarah Millar:
Chief Executive and Accountable Officer

27 July 2023

Independent Auditor's Report

Independent auditor's report to the members of Quality Meat Scotland, the Auditor General for Scotland and the Scottish Parliament

Reporting 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 2023 under The Quality Meat Scotland Act 2008. The financial statements comprise the Statement of Comprehensive Net Expenditure, Statement of Financial Position, the Cash Flow Statement, the Statement of Changes in Taxpayer's Equity and notes to the financial statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and UK adopted international accounting standards, as interpreted and adapted by the 2022/23 Government Financial Reporting Manual (the 2022/23 FReM).

In my opinion the accompanying financial statements:

- give a true and fair view of the state of the body's affairs as at 31 March 2023 and of its net expenditure for the year then ended;
- have been properly prepared in accordance with UK adopted international accounting standards, as interpreted and adapted by the 2022/23 FReM; and
- have been prepared in accordance with the requirements of The Quality Meat Scotland Act 2008 and directions made thereunder by the Scottish Ministers.

Basis for 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 3 April 2023. My period of appointment is five years, covering 2022/23 to 2026/27. 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 concluded that the use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Based on the work I have performed, I have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the body's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the financial statements are authorised for issue.

These conclusions are not intended to, nor do they, provide assurance on the body's current or future financial sustainability. However, I report on the body's arrangements for financial sustainability in a separate Annual Audit Report available from the [Audit Scotland website](#).

Risks of material misstatement

I report in my separate Annual Audit Report the most significant assessed risks of material misstatement that I identified and my judgements thereon.

Responsibilities of the Accountable Officer for the financial statements

As explained more fully in the Statement of Board and 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 there is an intention to discontinue the body's operations.

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 decisions of users taken on the basis of these financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. I design procedures in line with my responsibilities outlined above to detect material misstatements in respect of irregularities, including fraud. Procedures include:

- using my understanding of the central government sector to identify that The Quality Meat Scotland Act 2008 and directions made thereunder by the Scottish Ministers are significant in the context of the body;
- inquiring of the Accountable Officer as to other laws or regulations that may be expected to have a fundamental effect on the operations of the body;
- inquiring of the Accountable Officer concerning the body's policies and procedures regarding compliance with the applicable legal and regulatory framework;
- discussions among my audit team on the susceptibility of the financial statements to material misstatement, including how fraud might occur; and

- considering whether the audit team collectively has the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations.

The extent to which my procedures are capable of detecting irregularities, including fraud, is affected by the inherent difficulty in detecting irregularities, the effectiveness of the body's controls, and the nature, timing and extent of the audit procedures performed.

Irregularities that result from fraud are inherently more difficult to detect than irregularities that result 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.

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.

Reporting 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. In addition to my responsibilities in respect of irregularities explained in the audit of the financial statements section of my report, 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.

Reporting on other requirements

Opinion prescribed by the Auditor General for Scotland on audited parts of the Remuneration and Staff Report

I have audited the parts of the Remuneration and Staff Report described as audited. In my opinion, the audited parts of the Remuneration and Staff Report have been properly prepared in accordance with The Quality Meat Scotland Order 2008 and directions made thereunder by the Scottish Ministers.

Other information

The Accountable Officer is responsible for the other information in the annual report and accounts. The other information comprises the Performance Report and the Accountability Report excluding the audited parts of the Remuneration and Staff Report.

My responsibility is to read all the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the course of 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 this gives rise to a material misstatement in the financial statements themselves. 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.

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 the Performance Report and Governance Statement to the extent explicitly stated in the following opinions prescribed by the Auditor General for Scotland.

Opinions prescribed by the Auditor General for Scotland on Performance Report and Governance Statement

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 parts 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 108 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.



Maggie Bruce CA
Senior Audit Manager
Audit Scotland
The Green House
Beechwood Business Park North
Inverness IV2 3BL

27 July 2023

Statement of Comprehensive Net Expenditure (SOCNE)

For the year ended 31 March 2023

| | Note | 2022-23 £ | 2021-22 £ |
|-------------------------------------|-------------|-------------------------|-------------------------|
| Income | 2 | | |
| Statutory red meat levy | | (5,179,264) | (5,038,479) |
| Consumer assurance scheme fees | | (1,483,481) | (1,529,782) |
| Other income | | (326,649) | (302,967) |
| Total operating income | | <u>(6,989,394)</u> | <u>(6,871,228)</u> |
| Expenditure | | | |
| Staff employment and board costs | 4 | 1,785,448 | 1,645,407 |
| Depreciation and amortisation | | 47,520 | 26,347 |
| Other operating costs | 3 | 4,961,517 | 5,084,324 |
| Total operating expenditure | | <u>6,794,485</u> | <u>6,756,078</u> |
| Net operating expenditure | | (194,909) | (115,150) |
| Interest receivable | 5 | (3,177) | (302) |
| Interest payable | | 3,392 | 0 |
| Net expenditure for the year | | <u>(194,694)</u> | <u>(115,452)</u> |

There is no other comprehensive income for the year.

The notes on pages 43 to 52 form part of these financial statements.

Statement of Financial Position

As at 31 March 2023

| | Note | 2023 £ | 2022 £ |
|----------------------------------------------|------|-----------------------|-----------------------|
| Non-current assets | | | |
| Furniture, fittings, and equipment | 7 | 40,464 | 26,854 |
| Intangible assets | 8 | 17,600 | 22,000 |
| Right-of-use assets | 9 | 43,967 | 0 |
| | | <hr/> 102,031 | <hr/> 48,854 |
| Current assets | | | |
| Trade receivables and other current assets | 10 | 1,751,208 | 1,136,566 |
| Deposits and advances | 11 | 251,922 | 363,059 |
| Cash and cash equivalents | 12 | 551,593 | 434,758 |
| Total current assets | | <hr/> 2,554,723 | <hr/> 1,934,383 |
| Total assets | | 2,656,754 | 1,983,237 |
| Current liabilities | | | |
| Trade payables and other current liabilities | 13 | 962,282 | 536,702 |
| Lease liabilities | 9 | 15,744 | 0 |
| Total current liabilities | | <hr/> 978,026 | <hr/> 536,702 |
| Non-current liabilities | | | |
| Lease liabilities | 9 | 33,061 | 0 |
| Deferred income | 13 | 172,229 | 172,229 |
| Total non-current liabilities | | <hr/> 205,290 | <hr/> 172,229 |
| Assets less liabilities | | <hr/> <hr/> 1,473,438 | <hr/> <hr/> 1,274,306 |
| Reserves | | | |
| General reserve | | <hr/> <hr/> 1,473,438 | <hr/> <hr/> 1,274,306 |

The notes on pages 43 to 52 form part of these financial statements.

The Accountable Officer authorised these financial statements for issue on 27 July 2023

Sarah Millar

Sarah Millar:

Chief Executive and Accountable Officer
Quality Meat Scotland

Cash Flow Statement

For the year ended 31 March 2023

| | | 2022-23 | Re-stated 2021-22 |
|------------------------------------------------|-------------|----------------|------------------------------|
| | Note | £ | £ |
| Cash flows from operating activities | (note a) | 34,439 | (677,894) |
| Cash flows from investing activities | (note b) | 88,410 | (30,955) |
| Cash flows from financing activities | (note c) | (6,014) | 302 |
| Increase/(decrease) in cash in the year | | 116,835 | (708,547) |

Notes to the Cash Flow Statement

a) Cash flows from operating activities

| | | |
|---------------------------------------------------------------------|---------------|------------------|
| Net operating surplus | 194,909 | 115,150 |
| Adjustment for non-cash items | | |
| - Depreciation | 47,520 | 26,347 |
| - (Profit)/loss on sale of non-current assets | (1,950) | 597 |
| Decrease/(increase) in trade receivables | (614,642) | 88,516 |
| Increase/(decrease) in trade payables and other current liabilities | 408,602 | (908,504) |
| Net Cashflow from operating activities | 34,439 | (677,894) |

b) Cash flows from investing activities

| | | |
|-----------------------------------------------------------------------------|---------------|-----------------|
| Purchase of property, plant, and equipment and right of use assets | (24,678) | (29,782) |
| Proceeds from disposal of property, plant, and equipment | 1,950 | 0 |
| Withdrawal/(deposit) of cash to UK clearing bank fixed term deposit account | 111,137 | (1,173) |
| | 88,410 | (30,955) |

c) Cash flows from financing activities

| | | |
|-----------------------------------|----------------|------------|
| Interest received | 3,177 | 302 |
| Net repayments of lease liability | (9,191) | 0 |
| | (6,014) | 302 |

Net financing

QMS has no borrowing. Accordingly, the net funds of the organisation are equal to its cash balances.

| | 2022-23 | 2021-22 |
|---------------------------------------------------------|----------------|----------------|
| | £ | £ |
| Net (decrease) in cash and cash equivalents in the year | 116,835 | (708,547) |
| Cash and cash equivalents at beginning of year | 434,758 | 1,143,305 |
| Cash and cash equivalents at end of year | 551,593 | 434,758 |

Statement of Changes in Taxpayer's Equity (SOCTE)

For the year ended 31 March 2023

| | General Reserve £ | Total Reserves £ |
|-------------------------------------------------|-------------------------|-------------------------|
| Balance at 31 March 2021 | 1,158,854 | 1,158,854 |
| Changes in taxpayers' equity for 2021-22 | | |
| Surplus for the year | 115,452 | 115,452 |
| Total comprehensive income for 2021-22 | <u>115,452</u> | <u>115,452</u> |
| Balance at 31 March 2022 | 1,274,306 | 1,274,306 |
| Opening balance adjustment for IFRS 16 | 4,438 | 4,438 |
| Changes in taxpayers' equity for 2022-23 | | |
| Surplus for the year | <u>194,694</u> | <u>194,694</u> |
| Total comprehensive income for 2022-23 | 194,694 | 194,694 |
| Balance at 31 March 2023 | <u><u>1,473,438</u></u> | <u><u>1,473,438</u></u> |

Notes to the Accounts

For the year ended 31 March 2023

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.

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.

Intangible assets are non-monetary assets without physical substance and comprise of software configuration costs.

Right-of-use assets for applicable leases are recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Depreciation is provided on assets, so as to recognise their consumption over their anticipated useful lives at the following annual rates:

| | |
|-----------------------------------|----------------------------------|
| Computer Equipment | 2 or 3 years |
| Furniture, fittings and equipment | 5 years |
| Intangible assets | 5 years |
| Right-of-use assets | estimated period to end of lease |

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 assets.

e) Leases

Leases where the organisation receives the economic benefit of the lease are classified as Right of use Assets, as defined below. Other leases which are of short duration or of low underlying value are not recognised in the organisation balance sheet. Payments under these leases are charged to the Statement of Comprehensive Net Expenditure on a straight-line basis over the period of the lease.

f) Foreign currencies

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

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. QMS's treasury management policy is reviewed on an annual basis.

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.

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 Statement of Comprehensive Net Expenditure 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.

m) New accounting standards

All new standards issued, and amendments made to existing standards are reviewed by Financial Reporting and Advisory Board (FRAB) for subsequent inclusion in the FReM which is in force for the year in which the changes become applicable.

IFRS 16 - Leases

Except for short-term leases and leases of low-value assets, right-of-use assets and corresponding lease liabilities are recognised in the statement of financial position. Right-of-use assets are depreciated over the term of the lease (included in operating costs) and interest expenses recognised in lease liabilities (included in finance costs). For classification within the statement of cash flows, the interests and principal portion of the lease payments are disclosed in financing activities.

Right-of-use assets and lease liabilities

The right-of-use assets for most leases are recognised based on the amount equal to the lease liabilities, adjusted for any related prepaid and accrued lease payments previously recognised. Lease liabilities are recognised based on the present value of the remaining lease payments, discounted using an estimated incremental borrowing rate at the date of initial application.

| | 2022-23 | 2021-22 |
|--------------------------------|------------------|------------------|
| | £ | £ |
| 2. Income | | |
| Statutory red meat levy | 5,179,264 | 5,038,479 |
| Consumer assurance scheme fees | 1,483,481 | 1,529,782 |
| Grant income | 228,169 | 127,158 |
| Ring-fenced Funding | 65,569 | 16,570 |
| Other income | 32,911 | 159,239 |
| | <u>6,989,394</u> | <u>6,871,228</u> |

| | 2022-23 | 2021-22 |
|----------------------------------------|------------------|------------------|
| | £ | £ |
| 3. Operating expenditure | | |
| Marketing and Communications | 2,008,317 | 2,440,724 |
| Brands Integrity | 1,535,072 | 1,455,985 |
| Industry Development | 540,516 | 375,107 |
| Market Intelligence & External Affairs | 271,224 | 301,593 |
| Market Development | 299,859 | 190,578 |
| Other operating activity | 306,529 | 320,337 |
| | <u>4,961,517</u> | <u>5,084,324</u> |

4. Staff employment and board costs

| | 2022-23 | Re-stated 2021-22 |
|------------------------------|------------------|----------------------|
| | £ | £ |
| Costs include the following: | | |
| Staff | | |
| Salaries | 1,401,308 | 1,279,798 |
| National Insurance | 156,206 | 136,373 |
| Pension costs | 136,491 | 152,533 |
| | <u>1,694,005</u> | <u>1,568,704</u> |

The average number of persons employed during the year was 28 (2021/22 - 26).

Board members

| | | |
|------------------------------------|------------------|------------------|
| Emoluments for qualifying services | 83,990 | 71,144 |
| National Insurance | 7,453 | 5,559 |
| | <u>91,443</u> | <u>76,703</u> |
| | <u>1,785,448</u> | <u>1,645,407</u> |

5. Finance income and costs

| | 2022-23 £ | 2021-22 £ |
|------------------------|--------------|--------------|
| Bank interest received | <u>3,177</u> | <u>302</u> |
| Lease interest paid | <u>3,392</u> | <u>0</u> |

6. Operating costs

The following have been included in operating costs:

| | 2022-23 £ | 2021-22 £ |
|--------------------------------------------|---------------|---------------|
| Depreciation and amortisation | 47,520 | 26,347 |
| Operating lease payments | 460 | 18,771 |
| Auditors' remuneration - audit services | <u>14,960</u> | <u>11,460</u> |

7. Furniture, fittings and equipment

| | Computer Equipment £ | Furniture, Fittings & Equipment £ | Total £ |
|---------------------------------|----------------------------|--------------------------------------------|----------------|
| Cost | | | |
| At 1 April 2021 | 83,238 | 48,200 | 131,438 |
| Additions | 7,782 | 0 | 7,782 |
| Disposals | (7,268) | 0 | (7,268) |
| As at 31 March 2022 | <u>83,752</u> | <u>48,200</u> | <u>131,952</u> |
| As at 1 April 2022 | 83,752 | 48,200 | 131,952 |
| Additions | 41,655 | 0 | 41,655 |
| Disposals | (25,853) | 0 | (25,853) |
| At 31 March 2023 | <u>99,554</u> | <u>48,200</u> | <u>147,754</u> |
| Accumulated depreciation | | | |
| At 1 April 2021 | 56,347 | 29,077 | 85,424 |
| Charge | 16,914 | 9,433 | 26,347 |
| Disposals | (6,671) | 0 | (6,671) |
| As at 31 March 2022 | <u>66,589</u> | <u>38,510</u> | <u>105,100</u> |

| | | | |
|--------------------|---------------|---------------|----------------|
| As at 1 April 2022 | 66,589 | 38,510 | 105,100 |
| Charge | 20,311 | 7,734 | 28,045 |
| Disposals | (25,853) | 0 | (25,853) |
| At 31 March 2023 | <u>61,046</u> | <u>46,244</u> | <u>107,293</u> |

Net Book Value

| | | | |
|------------------|---------------|--------------|---------------|
| At 31 March 2023 | <u>38,509</u> | <u>1,956</u> | <u>40,464</u> |
|------------------|---------------|--------------|---------------|

| | | | |
|---------------------|---------------|--------------|---------------|
| As at 31 March 2022 | <u>17,164</u> | <u>9,690</u> | <u>26,854</u> |
|---------------------|---------------|--------------|---------------|

8. Intangible assets

Software
£ £

Cost

| | | |
|---------------------|---------------|---------------|
| At 1 April 2021 | 0 | 0 |
| Additions | 22,000 | 22,000 |
| Disposals | | |
| As at 31 March 2022 | <u>22,000</u> | <u>22,000</u> |

| | | |
|--------------------|---------------|---------------|
| As at 1 April 2022 | 22,000 | 22,000 |
| Additions | 0 | 0 |
| Disposals | 0 | 0 |
| At 31 March 2023 | <u>22,000</u> | <u>22,000</u> |

Accumulated amortisation

| | | |
|---------------------|----------|----------|
| At 1 April 2021 | 0 | 0 |
| Charge | 0 | 0 |
| Disposals | 0 | 0 |
| As at 31 March 2022 | <u>0</u> | <u>0</u> |

| | | |
|--------------------|--------------|--------------|
| As at 1 April 2022 | 0 | 0 |
| Charge | 4,400 | 4,400 |
| Disposals | 0 | 0 |
| At 31 March 2023 | <u>4,400</u> | <u>4,400</u> |

Net Book Value

| | | |
|------------------|---------------|---------------|
| At 31 March 2023 | <u>17,600</u> | <u>17,600</u> |
|------------------|---------------|---------------|

| | | |
|---------------------|---------------|---------------|
| As at 31 March 2022 | <u>22,000</u> | <u>22,000</u> |
|---------------------|---------------|---------------|

| 9. Right of use assets | 2022-23 | Total |
|---------------------------------|----------------|---------------|
| Property - right of use | £ | £ |
| Cost | | |
| As at 1 April 2022 | 0 | 0 |
| Re-classification | 75,373 | 75,373 |
| Additions | 0 | 0 |
| Disposals | 0 | 0 |
| At 31 March 2023 | <u>75,373</u> | <u>75,373</u> |
| Accumulated depreciation | | |
| As at 1 April 2022 | 0 | 0 |
| Re-classification | 16,331 | 16,331 |
| Charge | 15,075 | 15,075 |
| Disposals | 0 | 0 |
| At 31 March 2023 | <u>31,406</u> | <u>31,406</u> |
| Net Book Value | | |
| At 31 March 2023 | <u>43,967</u> | <u>43,967</u> |
| As at 31 March 2022 | <u>0</u> | <u>0</u> |

QMS currently rent office space in The Rural Centre, Ingliston on a rolling monthly contract. In calculating the right-of-use asset to disclose for our office rental, we have assumed the current lease arrangement will continue for 5 years. Should the duration of the lease be shorter by 1 year, the right-of-use asset value would reduce by £5,139, and the associated liability reduced by £4,742. Should the duration of the lease be longer by 1 year, the right-of-use asset value would increase by £5,034, and the associated liability increase by £4,657.

| | 2023 | 2022 |
|--------------------------|---------------|-------------|
| Lease liabilities | £ | £ |
| Less than one year | 15,744 | 0 |
| More than one year | 33,061 | 0 |
| | <u>48,805</u> | <u>0</u> |

| 10. Trade receivables and other current assets | 2023 | 2022 |
|-------------------------------------------------------|------------------|------------------|
| | £ | £ |
| Trade receivables | 808,933 | 455,794 |
| Accrued levy | 457,370 | 465,143 |
| VAT recoverable | 209,004 | 171,404 |
| Prepayments and other accrued income | 275,901 | 44,224 |
| | <u>1,751,208</u> | <u>1,136,566</u> |

| | 2023 | 2022 |
|-------------------------------------------------------------------------------------------|---------|---------|
| | £ | £ |
| 11. Deposits and advances | | |
| Short term deposits of up to 12 months invested in deposit accounts with UK clearing bank | 251,922 | 363,059 |

| | 2023 | 2022 |
|-------------------------------------------------|---------|-----------|
| | £ | £ |
| 12. Cash and cash equivalents | | |
| Balance at 1 April | 434,758 | 1,143,305 |
| Net change in cash and cash equivalent balances | 116,835 | (708,547) |
| Balance at 31 March | 551,593 | 434,758 |

The following balances at 31 March were held at:

| | | |
|-----------------------------------|---------|---------|
| Commercial banks and cash in hand | 551,593 | 434,758 |
|-----------------------------------|---------|---------|

| | 2023 | 2022 |
|-------------------------------------------------|-----------|---------|
| | £ | £ |
| 13. Trade payables and other liabilities | | |
| Trade payables | 592,261 | 252,706 |
| Accruals and deferred income | 331,767 | 235,266 |
| Tax and social security | 38,254 | 48,729 |
| Statutory levy processor deposits | 172,229 | 172,229 |
| | 1,134,511 | 708,931 |
| Falling due within one year | 962,282 | 536,702 |
| Falling due after one year | 172,229 | 172,229 |
| | 1,134,511 | 708,931 |

14. Commitments under leases

QMS now accounts for leased assets in line with accounting standard IFRS 16, details of which are included in Note 1 and Note 9 to these accounts. For prior year comparative purposes, at 31 March 2022 the organisation had total minimum future payments under non-cancellable operating leases as follows:

| | Land and Buildings | Other |
|----------------------------------------|--------------------|-------|
| | 2022 | 2022 |
| | £ | £ |
| Operating leases which expire: | | |
| Within one year | 17,924 | 0 |
| In the second to fifth years inclusive | 0 | 0 |
| | 17,924 | 0 |

QMS has entered into a 3-month rolling lease agreement from 1 May 2021 for its offices at the Rural Centre, West Mains, Ingliston.

15. Related Party Transactions

QMS is a Non-Departmental Public Body sponsored by the Scottish Government. The Scottish Government is regarded as a related party.

Andy McGowan is a Director of Scottish Agricultural Organisation Society Limited (SAOS) who are considered to be a related party of QMS. QMS incurred expenditure of £2k with SAOS in 2022/23 (2021/22 £18k) and no balance was due at 31 March 2023.

Andy McGowan is also a Director of Scot EID who are considered to be a related party of QMS. QMS incurred expenditure of £8k with Scot EID in 2022/23 (2021/22 £5k) and no balance was due at 31 March 2023.

Andy McGowan is also a Director of Wholesome Pigs (Scotland) Ltd who are considered to be a related party of QMS. QMS incurred expenditure of £48k with Director of Wholesome Pigs (Scotland) Ltd in 2022/23 (2021/22 £50k) and no balance was due at 31 March 2023.

Andy McGowan is also a Director of Scotland Food & Drink (SF&D) who are considered to be a related party of QMS. QMS received grant income of £42k in the year to 31 March 2023. As no expenditure was incurred during the year, the full grant award has been recognised as a deferred grant balance of £42k at 31 March 2023 (2021/22 - nil).

Ian Bentley is Vice President of Scottish Association of Meat Wholesalers (SAMW) who are considered to be a related party of QMS. QMS incurred expenditure of £5k with SAMW in 2022/23 (2021/22 £5k) and no balance was due to 31 March 2023.

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.

16. Pension Schemes

The organisation participates in defined contribution pension schemes, 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 £136,491 (2021/22: £152,533). The contributions outstanding at the year-end amounted to £19,271 (2021/22: £14,439).

17. Segmental reporting**For the year ended 31 March 2023**

| | 2022-23 | | | 2021-22 | | |
|---------------------------------------------------|--------------------|--------------------|--------------------|--------------------|--------------------|--------------------|
| | Levy | Non Levy | Total | Levy | Non Levy | Total |
| | £ | £ | £ | £ | £ | £ |
| Income | | | | | | |
| Statutory red meat levy | (5,179,264) | 0 | (5,179,264) | (5,038,479) | 0 | (5,038,479) |
| Consumer assurance scheme fees | 0 | (1,483,481) | (1,483,481) | 0 | (1,529,782) | (1,529,782) |
| Grant income | 0 | (228,169) | (228,169) | 0 | (127,158) | (127,158) |
| Ring-fenced funding | 0 | (65,569) | (65,569) | (16,570) | 0 | (16,570) |
| Miscellaneous income | 0 | (32,911) | (32,911) | 0 | (159,239) | (159,239) |
| Bank interest | 0 | (3,177) | (3,177) | 0 | (302) | (302) |
| | (5,179,264) | (1,813,307) | (6,992,571) | (5,055,049) | (1,816,481) | (6,871,530) |
| Direct expenditure | | | | | | |
| Marketing and Communications | 2,464,019 | 0 | 2,464,019 | 2,843,664 | 25,000 | 2,868,664 |
| Industry development | 627,759 | 228,169 | 855,928 | 505,275 | 72,158 | 577,434 |
| Market Intelligence | 553,659 | 0 | 553,659 | 639,439 | 0 | 639,439 |
| Brands Integrity | 0 | 1,689,697 | 1,689,697 | 0 | 1,595,861 | 1,595,861 |
| Market Development | 443,776 | 0 | 443,776 | 288,449 | 40,000 | 328,449 |
| Corporate services | 790,798 | 0 | 790,798 | 746,232 | 0 | 746,232 |
| | 4,880,010 | 1,917,867 | 6,797,877 | 5,023,059 | 1,733,019 | 6,756,078 |
| (Surplus) / deficit on ordinary activities | (299,254) | 104,560 | (194,694) | (31,990) | (83,462) | (115,452) |

Accounts Direction**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