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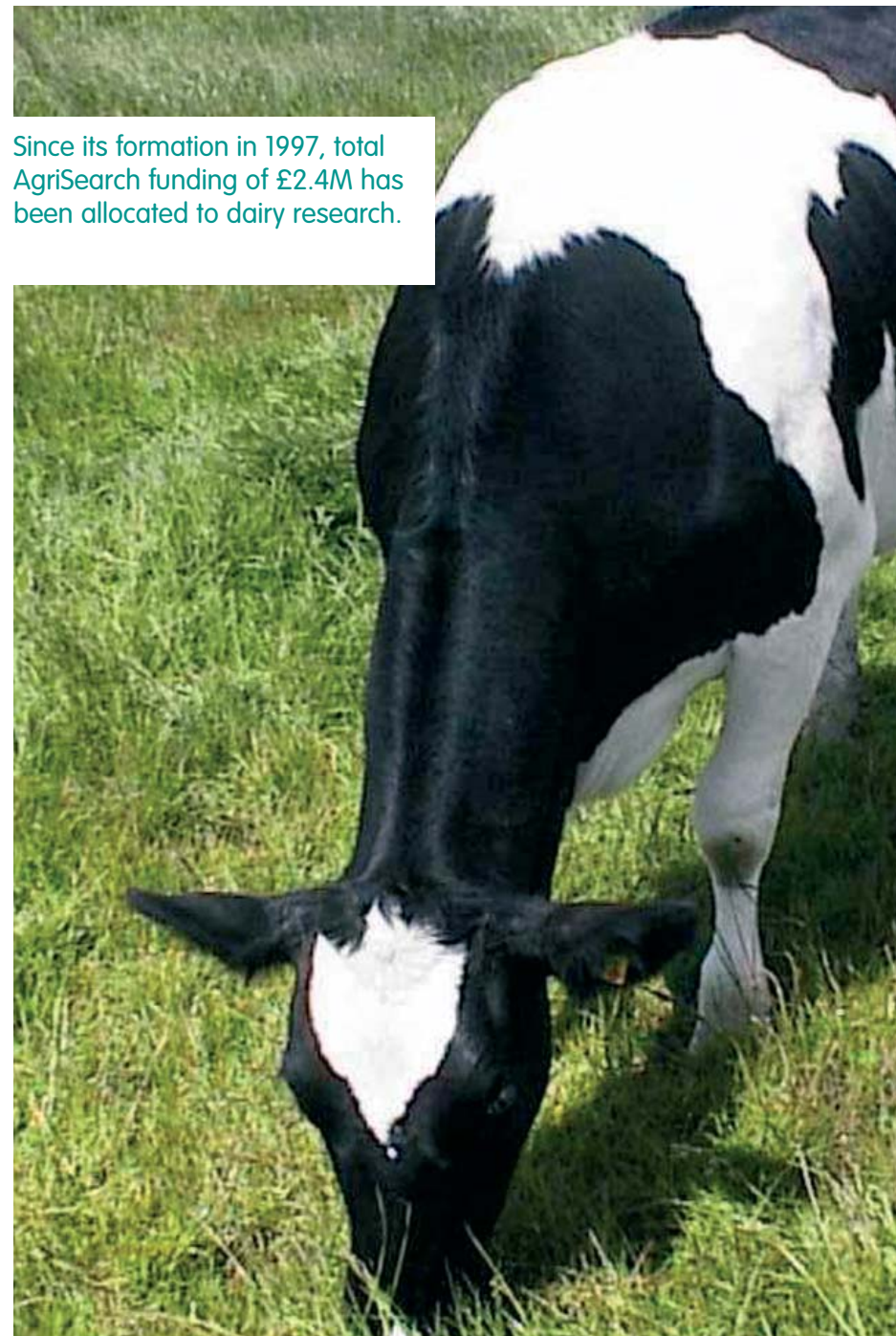
Web: www.agrisearch.org

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**AgriSearch Annual Report
& Financial Statements**

For the twelve months ended 31 March 2006





Since its formation in 1997, total AgriSearch funding of £2.4M has been allocated to dairy research.

Directors / Advisory Committees and Professional Advisers

AgriSearch is the trading name for the Northern Ireland Agricultural Research and Development Council, a charitable company limited by guarantee with no share capital. It is governed by a Memorandum and Articles of Association. The Board of Directors, who are also the Trustees of the charity, are appointed by the Council. The Trustees appoint three committees to consider and monitor appropriate research projects.

Directors and Trustees

William H (Bill) Yarr - Chairman (re appointed 22 September 05)
 Tom Henderson
 Wilfred Mitchell
 Peadar Montague (re appointed 22 September 05)
 Gary Hawkes (re appointed 22 September 05)
 Stanley McBurney (resigned 30th January 06)
 Nigel McLaughlin
 Douglas Rowe
 Cecil Mathers
 James Campbell
 James Walker (co-opted 30th January 06)

Company Secretary

David Mark

Registered Office

Countryside Services Ltd, 97 Moy Road,
 Dungannon, Co. Tyrone BT71 7DX

Solicitors

J McKee & Sons
 Hampden House, 55 Royal Avenue, Belfast BT1 1FD

Dairy Advisory Committee

James Brown - Chairman
 John Thompson
 Albert Foster
 Sean Clarke
 Trevor Lockhart
 Dr Alan McIlmoyle

Beef Advisory Committee

Kenneth Sharkey - Chairman
 Edward Carson
 Michael McBride
 Colin Duffy
 Dr Mike Tempest
 Dr Colin McKee

Sheep Advisory Committee

Ian Buchanan - Chairman
 David Chambers
 Isaac Crilly
 Samuel Wharry
 James McHenry
 Terry Acheson
 Dr Moore Chestnutt

Committee Secretary

Lynsay Wells

Bankers

Northern Bank Limited, Antrim Road, Belfast

Registered Auditors

PriceWaterhouseCoopers LLP
 Waterfront Plaza, 8 Laganbank Road
 Belfast BT1 3LR



In commissioning thirteen projects, the Board of Trustees made significant progress during the twelve months under review. This however did not just happen but was the result of the dedication of the Dairy, Beef & Sheep Advisory Committees whose activities are detailed later in the Annual Report. Specific mention must be made to the retirement of Ramsey Stewart as Chairman of the Dairy Advisory Committee who played a significant role during his 5 years in the position. He was succeeded by Co Down dairy farmer James Brown. The Trustees not only recorded their thanks to Ramsey but also appreciated the time that the Advisory Committees spent ensuring that each project met the guiding principles set out for them. These are that (i) Research must have potential benefits for primary producers, (ii) duplication of existing R&D work is avoided and (iii) maximum leverage for complementary funding sources is achieved.

AgriSearch funding for the thirteen projects totalled £828K and to this was added £1.5M of complementary funding. Since its formation in 1997, total AgriSearch funding of £3.3M has been allocated to 54 projects. When other sources of funding are added, the total expenditure on agricultural R&D is just under £10M – a very significant sum.

Over the past 5 years we have seen our fund balance rise year on year. This has been a result both of a slow down in research activity forced by the Foot and Mouth outbreak in 2001 and a shortage of relevant research proposals being presented to the organisation. It has always been our desire to commit funds to research as soon as possible. I am pleased to report that this year the situation has been reversed with the commissioning of the 13 projects resulting in a reduction of uncommitted funds from £821K to £479K.

None of this of course would have been possible without the levies received from farmers, collected as they are through milk processors and meat plants. Every £ received from each of the Dairy, Beef and Sheep sectors is allocated to future research in these sectors – none is spent on administration of AgriSearch which is funded out of bank interest on credit balances. This year AgriSearch reinvested £40,000 from interest income into the sheep sector finances due to the need for additional funding in this sector. No research project will be considered for commissioning unless sufficient uncommitted funds are available for the full duration of the proposed research and it should be noted that some projects can take anything from three to five years to complete.

It is not sufficient for AgriSearch just to commission research – it is essential that progress reports and final results are disseminated to producers and where appropriate new ways of working are adopted and savings achieved at farm level. Equally it is important to evaluate that the research work is worth while and that it allows farmers to make savings or maximise returns which justify the investment in the research in the first instance.

Dissemination, technology transfer and industry adoption were areas closely studied during the year as a number of projects completed. A range of methods were employed from the publication of detailed booklets and newsletters, to the AgriSearch website, press releases (adopting both traditional and more informal styles including a series utilising cartoon scenarios with topical messages), open days at ARINI Hillsborough, group meetings (such as the Northern Ireland Fellows & Associates of Royal Agricultural Societies), and by

increasing the use of Dairy, Beef & Sheep advisors at CAFRE. The Trustees have set up a sub Committee to review the various methods of communication and assess those best suited to ensure R&D results net the optimum cost benefits for the farming community.

Whilst such dissemination is important, equally important is the “value for money” of the research carried out. This is an area of substantial interest to levy contributors and during the year this was emphasised, particularly from the dairy sector.

Accordingly an internal study was undertaken to try to identify the impact of AgriSearch funded work to the Northern Ireland dairy Industry. The results, which are currently the subject of external peer review, were most encouraging; suggesting the investment return on sixteen completed dairy projects was substantially above the initial investment. The key assumptions made in this study will be tested, critiqued challenged and refined. We firmly believe that this will result in a robust, dynamic and innovative research appraisal tool and will be a significant asset in the promotion of our work. In time it will be applied to all dairy, beef and sheep projects and will give confidence to levy payers that monies provided to AgriSearch can provide a significant return on investment while fulfilling its guiding principles.

The changes in government research funding strategy, as recommended in the O'Hare Report, have been closely followed by the Trustees. The appointment of a new Research & Education Advisory Panel (REAP) has been particularly noted. REAP's role is to provide on-going strategic advice to DARD not only on agricultural education (but more importantly to AgriSearch and to the

Agricultural sector in general) on agricultural research & development, technology transfer and industry adoption policy. It will be of greatest importance that members of the Panel are made aware of the underlying need of R&D and technology transfer benefits at primary producer level. AgriSearch sees this as one of its prime priorities and discussions with the Chairman of REAP have already taken place.

The second structural change of interest to AgriSearch is the setting up of a new Non Departmental Public Body to carry out R&D and other associated work. The Agri Food & Biosciences Institute (AFBI) which has taken responsibility for the agricultural facilities at Hillsborough (formerly ARINI) along with the research and testing facilities at Loughgall, Crossnacreevy, Newforge and sections of the Veterinary Science Service will undoubtedly present challenges to AgriSearch. Many, but by no means all, projects are progressed through Hillsborough and only time will tell on the negatives, and of course positives, arising from the new body.

Northern Ireland agriculture is facing very difficult times ahead. This is clearly seen from the depression in milk prices and the level of beef prices both of which have major impacts on profitability in these sectors. In addition the challenges of the Nitrates Directive, Water Framework Directive, IPPC legislation, the farm waste regulations and of course the diminishing value of the single farm payment will impact considerably on all farmers. Taking all these points into account it is essential that research of benefit to primary producers to reduce costs, improve performance, drive innovation and improve welfare is deemed to be of the utmost importance. AgriSearch will certainly adopt this priority and it looks to Government to allocate sufficient funds to complement levy

payments and so ensure that the work continues to be undertaken to achieve the above objectives and therefore be of value of embattled farmers.

The Trustees are very mindful of the full gamut of their responsibilities in the corporate governance of the organisation. Being constituted as a charity has meant that the legal framework of the organisation has had to be reviewed.

New legislation concerning our financial reporting requirement to Companies House under the Statement of Recommended Practice for Charities (SORP 05) has created additional administrative and financial demands on the organisation. A new financial software package suited to SORP was commissioned for the start of this financial period and has proven to be a very beneficial tool to allow the operation to be efficiently managed. Greater emphasis has been given to risk management and systems and procedures have been put in place to carry out this function.

In closing may I express my appreciation to all who have contributed to a challenging year of AgriSearch activities. This covers not only the members of the three Advisory Committees already referred to but also the Board of Trustees all of whom freely give of their time in the interest of Northern Ireland farmers. Also to be thanked are David Mark and Lynsay Wells of Countryside Services Ltd who provide a very efficient secretariat for AgriSearch.

Bill Yarr
Chairman



Secretary's Report

David Mark
Company Secretary

Results

The net outgoing resources for the financial year were £342,881 (2005: incoming resources £82,748).

Directors

The Articles of Association indicate that any reference to "the trustees" means the Directors of the charity.

The Directors of the company at 31 March 2006, all of whom have been Directors for the whole year ended on that date, unless otherwise stated, are listed on page 2.

Nigel McLaughlin and Tom Henderson retire by rotation and being eligible offer themselves for re-election at the Annual General Meeting.

At the January meeting the Trustees decided to increase from one to two the Trustee representation from the levy collectors.

Formerly the Red Meat and Dairy sectors rotated the Trusteeship. The new post allocated one position to each of the sectors.

Cecil Mathers is currently in post representing NIMEA and James Walker on being nominated by Dairy UK on behalf of levy collector organisations from the dairy sector was co-opted on the 30th January 2006 and offers himself for re appointment.

Governance and Internal Control

The Directors have overall responsibility for ensuring that the Council has an appropriate system of internal controls and that it complies with relevant laws and regulations. The system of internal controls is designed to provide reasonable, but not absolute, assurance against material mis-statement or loss. Key features of the system are an annual budget approved by the Directors, regular consideration by the Directors of financial results, variance from budgets, non-financial performance indicators and benchmarking reviews, delegation of authority and segregation of duties and the identification, review and management of strategic, business and operational risks.

David Mark
Company Secretary
10 June 2006

Statement of Financial Activities
for the year ended 31 March 2006
(including income and expenditure account)

	Notes	Unrestricted Funds 2006 £	Unrestricted Funds 2005 £
Incoming Resources			
Activities to further charity's objects:			
Milk income		372,764	277,370
Beef income		68,206	78,000
Sheep income	1	77,600	30,825
Investment income		45,578	63,111
Total incoming resources		564,148	449,306
Expending Resources			
Cost of activities to further charity's objects:			
Direct Programme Expenditure	2	828,318	316,793
Dissemination Costs	2	9,006	17,710
Management and Administration		69,705	32,055
Total resources expended		907,029	366,558
Net outgoing/incoming resources for the year		(342,881)	82,748
Fund balance brought forward at 1 April 2005		821,501	738,753
Fund balance carried forward at 31 March 2006		478,620	821,501

All amounts above relate to continuing unrestricted operations of the company.

The company has no recognised gains and losses other than those included in the results above, and therefore no separate statement of total recognised gains and losses has been presented.

There is no difference between the net incoming resources and the funds retained for the year stated above and their historical cost equivalents.

Balance Sheet
at 31 March 2006

	Notes	2006 £	2005 £
Fixed assets			
Tangible assets		10,170	-
Current assets			
Debtors	3	116,091	88,651
Cash at bank		1,637,228	1,712,669
		1,753,319	1,801,320
Creditors			
Amounts falling due within 1 year	4	(598,623)	(583,303)
Net current assets		1,154,696	1,218,017
Total assets less current liabilities		1,164,866	1,218,017
Creditors			
Amounts falling due after more than 1 year	5	(686,246)	(396,516)
Net assets		478,620	821,501
Funds			
Unrestricted funds		478,620	821,501
Total funds		478,620	821,501

The financial statements on pages 5 to 10 were approved by the Directors on 26th September 2006 and were signed on their behalf by:

William H Yarr
Director

Notes to the financial statements for the year ended 31 March 2006

1. Sheep income

Sheep income includes £40,000 (2005 £Nil) transferred from investment income

2. Research and development grant

	2006 £	2005 £
Committed expenditure at 1 April 2005	899,492	993,993
Further commitments during the year	828,318	316,793
Paid during the year	(455,882)	(411,294)
At 31 March 2006	1,271,928	899,492

3. Debtors

	2006 £	2005 £
Amounts falling due within one year		
Trade debtors (levies due)	106,304	79,063
Prepayments & accrued income	9,787	9,588
	116,091	88,651

4. Creditors: Amounts falling due within 1 year

	2006 £	2005 £
Bank overdraft	-	76,214
Trade creditors	8,711	-
Other creditors - committed grant expenditure (note 2)	585,682	502,976
Accruals and deferred income	4,230	4,113
	598,623	583,303

5. Creditors: Amounts falling due after 1 year

	2006 £	2005 £
Other creditors - committed grant expenditure (note 2)	686,246	396,516

6. VAT

VAT costs not previously analysed separately

Other expenditure for the year ended 31 March 2006

	Notes	2006 £	2005 £
Promotions, publications and advertising			
Public relations services		4,489	5,342
Meetings expenses - regular meetings		64	48
Study tour expenses		6,977	-
Travel expenses		1,564	-
		13,094	5,390
Administrative costs			
Management charge: Countryside Services Ltd		31,443	17,994
Audit and accountancy fees		3,670	4,174
Insurance		2,625	2,625
Consultancy fees		-	1,598
Miscellaneous expenses		368	20
Computer software support		68	-
Website expenses		1,010	-
Telephone & postage		122	-
Honorarium		5,000	-
VAT costs	6	9,668	-
Depreciation		2,543	-
Bank fees		94	304
		56,611	26,665



Since its formation in 1997, total AgriSearch funding of £596K has been allocated to beef research.



Beef Committee Report

Kenneth Sharkey
Beef Committee Chairman



The Northern Ireland beef farmer is continuing to face many pressures - specifically low beef prices and increasing input costs. AgriSearch's Beef Advisory Committee strives to commit to projects that find more efficient ways to produce beef by reducing input costs and increasing production volumes. Already beef farmers in NI produce their beef to the highest of animal health and welfare standards but with increasing threats from foreign imports we need to strive to find alternative ways of promoting our beef as a healthy local product produced to highest standards.

For the first time the Beef Advisory Committee has funded work to be carried out by other centres of research excellence than ARINI, Hillsborough. These include Veterinary Science Division, Belfast and the LMC working with the University of Ulster. The projects funded include:

- Low input forages for beef cattle
- Contribution of meat from grass fed ruminants to the total human dietary intake of long chain n-3 polyunsaturated fatty acids (Omega 3)
- Avoidance of Botulism in cattle (jointly funded with Dairy Advisory Committee).

I would like to take this opportunity to thank Dr Des Rice who retired from our Committee during the year as our independent expert. Dr Rice committed a lot of time and expert knowledge to the Committee that was appreciated by all. We welcome his replacement Dr Colin McKee to the Committee and are sure he will be a great asset.

Kenneth Sharkey
Beef Committee Chairman

Beef Projects

Completed

- Factors affecting the dirtiness of finished beef cattle – Booklet no 5 – B-01-97
- Effect of housing system on behaviour, welfare and performance of beef cattle – Booklet no 6 – B-02-97
- Effect of genotype of beef cows and terminal sires on quality of progeny and sustainability for different market outlets – Booklet no 8 – B-03-98
- Effect of slaughter weight on efficiency of lean meat production from Holstein bull calves and on the quality of processed meat from their carcasses, and its suitability for markets – B-04-00

Current (inc. projects commissioned 05/06)

- Increasing the lifetime growth rate of beef cattle – B-05-01
- Maximising beef output from the suckler herd through the production of heavy suckler bulls – B-06-04
- Low input forages for beef production – B-07-06
- Contribution of meat from grass fed ruminants to the total human dietary intake of long chain n-3 polyunsaturated fatty acids (Omega 3) – UU-B-08-06

Joint Dairy / Beef Sector Projects

Completed

- Economic evaluation of Holstein Bull Beef Production (DB-24-04)
- Reducing Organic Nitrogen output from dairy cows and beef cattle in Nitrate Vulnerable Zones - Booklet no 9 (DB-16-03)

Current (inc. projects commissioned 05/06)

- The effect of increasing calf growth rate in the first two months of life on subsequent lifetime performance DB-14-03
- Maximising returns from beef progeny sourced in the dairy herd DB-26-05
- Avoidance of Botulism in Cattle (VSD-DB-34-06)



I would like to take this opportunity to thank outgoing Chairman, Ramsey Stewart for his time and effort that he gave to the Dairy Advisory Committee over the past years. His sound leadership was very much appreciated by us all.

I come as Chairman at a time when many pressures are facing our industry. Lower milk prices and higher input costs are putting a strain on the viability of many businesses. Impending legislation, whether through Cross Compliance, the Nitrates Directive or Waste Regulations, is going to put a further bureaucratic burden on all our businesses without any financial return. It is our commitment that the 1/50th of a penny per litre, that is the levy to AgriSearch, is well spent and gives a good financial return.

Last year the Committee visited the FAL Research Institute Braunschweig with the help of funding from Concordia. This trip was a very worthwhile experience and let us view the current dairy research work that is being conducted in Europe.

AgriSearch also invited Professor Les Hansen from California to speak to local farmers on the benefits of cross breeding. As an outcome from the seminar, we were very pleased to hear of local farmers using a third breed when crossbreeding. We have also met with CAFREs Dairy Advisors and hope to be working more closely with them in the future to gain research topics that NI dairy farmers need and to disseminate results throughout the country.

The Dairy Advisory Committee has forwarded 8 new projects to the Trustees for funding.

- Development of methodology to enable prediction of actual manure N output from dairy cows in NI.
- Measurement of grass growth and utilisation and herd performance to enable the development and implementation of decision support systems to optimise performance in different regions of NI.
- A comparison of three contrasting systems of milk production for spring calving dairy cows.
- Improving heifer rearing regimes on farms in NI.
- The effect of protein levels in dairy cow diets on body reserves throughout lactation.
- Influence of breed, diet and body condition score on lameness in cattle.
- Increasing dairy cow intakes by optimising feeding system design.
- Avoidance of Botulism in Cattle (jointly funded by Beef Advisory Committee).

James Brown
Dairy Committee Chairman

Dairy Projects

Completed

- Improving milk composition in the dairy herd – Booklet no 1 (D-01-97)
- Development of improved methods for rationing dairy cattle (D-02-97)
- A comparison of four contrasting milk production systems for winter calving high genetic merit cows – Booklet no 2 (D-05-98)
- Dairy Herd Fertility – Examination of effects of increasing genetic merit and other herd factors on reproductive performance – Booklet no 3 (D-07-98)
- Developing improved heifer rearing systems – Booklet no 7 (D-03-97)
- Grass Check 1: On farm monitoring of grass growth, grass quality and herbage intakes of dairy cows in NI (D-08-98)
- Examination of the effectiveness of a range of time temperature pasteurisation combinations (DCNI-D-09-99)
- Survivability of dairy cattle and factors that influence this on farm (D-06-98)
- Achieving high milk production at pasture (D-13-02)

Current (inc. projects commissioned 05/06)

- To assess the potential of the Norwegian (NRF) Breed as a means of improving fertility and health status of NI dairy herd (D-10-00)
- An examination of the potential contribution of cross breeding to improve the profitability of dairying in Northern Ireland (D-11-00)
- Expanding output efficiently in environmentally friendly systems (D-12-01)
- Optimum Northern Ireland milk production systems, with milk prices between 16 -21ppl (D-15-03)
- Developing supplementation strategies for dairy cows (D-17-03)

- Footbath Design and Use (MDC-D-18-04)
- Alternative forages for dairy cattle (D-20-04)
- Low input forages for dairy cow production systems (D-21-04)
- Grass Check 2: (D-22-04)
- Strategies for reducing lameness in Northern Ireland dairy herds (D-23-04)
- Investigate if MAP can survive the spray drying process (DCNI-D-25-04)
- Development of methodology to enable prediction of actual manure N output from dairy cows in NVZs in NI (D-27-05)
- Measurement of grass growth and utilisation and herd performance to enable the development and implementation of decision support systems to optimise performance in different regions of NI (D-28-06)
- A comparison of three contrasting systems of milk production for spring calving dairy cows (D-29-06)
- Improving heifer rearing regimes on farms in NI (D-30-06)
- The effect of protein levels in dairy cow diets on body reserves throughout lactation (D-31-06)
- Increasing dairy cow intakes by optimising feeding system design (D-33-06)
- Influence of breed, diet and body condition score on lameness in cattle (D-32-06)



Since its formation in 1997, total AgriSearch funding of £310K has been allocated to sheep research.



Sheep Committee Report

Ian Buchanan
Sheep Committee Chairman



Northern Ireland's sheep farmers are facing challenging times ahead. For a buoyant sheep sector to move forward we need to increase the production from our flocks and reduce input costs at every opportunity. This is a tall order but I am certain it can be achieved if we adopt a practical approach to our businesses. A sheep open day was held in December at ARINI, Hillsborough. This open day gave sheep farmers the chance to see the results from AgriSearch funded work that has been carried out both at Hillsborough and on local farms. A few members of the committee participated in the day giving very practical presentations of the work they have been involved in.

This year alone the Sheep Advisory Committee has committed £80,000 to research in the Northern Ireland sheep sector leveraging over five times this sum from other funders. The studies funded are:

- Long term economic consequences of maintaining crossbred ewes in the hill sector.
- Environmental consequences of maintaining crossbred ewes in the hill sector.
- Selecting for easy care traits in lowland sheep flocks.

During the year the Committee benefited from the addition of two new members, Samuel Wharry, Carnlough, and Isaac Crilly, Castlederg. We are confident that their expert advice will be a great asset to the Committee. The Sheep Advisory Committee visited the Teagasc Sheep Research Centre in Athenry Co. Galway having felt that it would be good practice to examine what other research is taking place on the Island of Ireland. As well as very practical research being carried out, there was a lot of interest into the research at the Centre into genes for

parasite resistance, genes for prolificacy, scrapie genotyping and electronic tagging. Both the continued conservation of the Galway breed, which is the only native sheep breed to Ireland, and the progression of the Belclare breed, which is a composite breed originating from the Galway ewe, were thought provoking. The Sheep Advisory Committee continues to strive to fund research, which will progress the sector well into the 21st Century.

Ian Buchanan
Sheep Committee Chairman

Sheep Projects

Completed

- Effects of genetics of cross-bred lowland ewes and terminal sires on lamb quality and carcass quality – Booklet no 1 – S-01-97
- Developing low cost “natural care” systems of sheep production – Booklet no 4 – S-02-99

Current (inc. projects commissioned 05/06)

- Developing Low cost “easy care” systems of sheep production – S-03-01 – Extension to project – S-05-02
- Improved ewes for the hill sheep sector through crossbreeding – S-04-01 – extension – S-07-03
- Improved worm control strategies for sheep in the hill and lowland sectors – S-06-02 extension 1 – S-08-04, extension 2 – S-09-04
- Long term economic consequences of maintaining crossbred ewes in the hill sector – S-10-05
- Environmental consequences of maintaining crossbred ewes in the hill sector – S-11-05
- Selecting for easy care traits in lowland sheep – S-12-05

Joint Dairy, Beef and Sheep Projects

Completed

- Using information to reduce the costs of producing milk, beef and lamb – DBS-04-97-CD