

Livestock and Meat Commission for Northern Ireland

**Annual Report and Accounts
for the year ended 31 March 2018**

*Laid before the Northern Ireland Assembly
under the Livestock Marketing Commission Act (Northern Ireland) 1967 (as amended) by
the Department of Agriculture, Environment and Rural Affairs Northern Ireland*

24 March 2021

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Performance Report

Overview

This section is intended to provide an overview of the Livestock and Meat Commission for Northern Ireland (LMC) and how it has performed over the last twelve months. It also provides a summary of its main corporate objectives and activities, as well as the key issues and risks that could prevent it from meeting those objectives. The section begins with a Statement from the Chairman which provides his perspective on LMC's key activities and achievement during the year ended 31 March 2018. It concludes with highlights of LMC's performance from Industry Development and Market Information departments.

Chairman's Statement/Foreword

I am pleased to present the fifty first Annual Report and Accounts of the Livestock and Meat Commission for Northern Ireland (LMC). This report covers the period 1 April 2017 to 31 March 2018.

Details of the Commission's activities throughout the year are outlined later in the Annual Report, and I invite you to read about our work and to provide us with any constructive feedback to help inform our future strategy and business planning.

As the lead organisation actively providing agri-food marketing and promotion services to the local beef and sheep meat sectors, the LMC continues to consult directly with farming and processing stakeholders and to work with our partners to further the development of the beef and sheep meat supply chains in Northern Ireland and to support the marketing of livestock and livestock products. During the year the Board undertook a complete review of the Commission's 3 year strategy and related business plan. The Board also engaged directly with frontline staff to help inform our strategic objectives for the period 2018-2019.

I engaged in a comprehensive round of one to one meetings with key stakeholders within the industry and these meetings help provide the Board with valuable insights into the aspirations of, and issues of concern to, the beef and lamb sector.

I am encouraged, from the feedback received, that awareness of the extent of services provided by LMC is increasing as much of our work is not carried out under the glare of the media spotlight. Stakeholders also acknowledge the important brokerage role LMC plays in terms of facilitation within the supply chain by integrating producer, processor and consumer interests. In particular, there was much appreciation of LMC's "Walk the Line" initiative, which allows producers to visit the processing plants.

During this year, we celebrated 25 years of the highly successful Northern Ireland Beef and Lamb Farm Quality Assurance Scheme (NIBLFQAS) which remains a vital tool for the Northern Ireland red meat industry. The NIBLFQAS, which operates with equivalence to Red Tractor, works to ensure that the red meat industry is able to service a key market, as the United Kingdom remains our biggest single trading market. Furthermore, the NIBLFQAS remains central to assuring consumer confidence in Northern Irish beef and lamb. I wish to acknowledge the support of the industry who continue to show great confidence in the Scheme and who continue to champion it. Within the context of Brexit and with the United Kingdom's ambitions to secure new markets, the NIBLFQAS will remain an even more essential resource for the red meat sector going forward.

In order to assist the red meat industry to prepare for Brexit, LMC continues to work with local industry stakeholders, to facilitate an agreed position for the red meat sector, and to plan for the challenges and opportunities which lie ahead. The work which the LMC commissioned and published during the year analysing the potential impacts of World Trade Organization (WTO) Trading on the N.I Beef and Sheep Meat industry, within the context of a no-deal Brexit, attracted favourable reviews both within industry and in the national media. The Commission will continue to support the sector in maintaining a unified voice and to represent the sector's interests in order to achieve the best possible outcome for Northern Ireland's red meat industry.

In this context the LMC remains committed to working closely with the long awaited Northern Ireland (NI) Agri-Food Marketing Organisation. Given that over a quarter of Northern Ireland Agri-food sales are accounted for by the red meat sector, I anticipate that the sector should play a prominent role in marketing the industry. I believe that the sector

should have a strong voice at the table of the new marketing body and LMC is poised and ready to facilitate that voice on behalf of the industry.

I would like to thank my colleagues on the Board of LMC, for their continued support and dedication. I also wish to congratulate the executive team for their continued hard work.

As ever LMC will continue to represent and support the interests of the Beef and Lamb Sector in the promotion and development of the Northern Ireland agri food industry.

In conclusion, I would also like to acknowledge our valued stakeholders, including the Department of Agriculture, Environment and Rural Affairs, whose support and encouragement throughout the past year has been steadfast. In terms of working together to further the interests of the industry, we are looking forward to continued engagement with our stakeholders in the future and to developing an enhanced programme of industry support services in conjunction with producers and processors.

A handwritten signature in black ink, appearing to read 'G McGivern', written in a cursive style.

Gerard McGivern

Chairman

Livestock and Meat Commission

25 June 2018

Strategic Report

Introduction

The Commission presents its Annual Report and Accounts for the 2017-18 business year.

The Annual Report and Accounts have been prepared in compliance with the accounting principles and disclosure requirements of the relevant edition of the Government's Financial Reporting Manual (FRM) and under an Accounts Direction given by the Department of Agriculture, Environment and Rural Affairs (DAERA) in accordance with the Livestock Marketing Commission Act (Northern Ireland) 1967.

Our Purpose

The Livestock and Meat Commission for Northern Ireland (LMC) is an Executive Non-Departmental Public Body (NDPB), which was established by Statute (The Livestock Marketing Commission Act [Northern Ireland] 1967) to assist the development of the livestock and livestock products industries. LMC's sponsor body is the Department of Agriculture, Environment and Rural Affairs (DAERA). LMC collects statutory levies from beef and sheep producers and slaughterers in Northern Ireland and in return provides a range of services to the industry. LMC also advises DAERA on matters relating to the sector.

Our Vision

Our vision is for a sustainable and profitable future for the Northern Ireland beef and sheep meat industry at all levels of the supply chain.

Our Mission

Our mission is to support, examine and inform the marketing and development of the Northern Ireland (NI) beef and sheep meat industry.

Our Values

- LMC will be unequivocally an advocate for the Northern Ireland red meat industry and champion the industry with independence, transparency and integrity.
- LMC will employ high calibre staff. We will ensure that every member of staff will have the right skills, training, experience, and resources to deliver on our commitments.
- LMC will utilise its resources in a cost-effective and efficient manner through sound governance, accountability and control systems and processes which safeguard levy-payers' funds.
- LMC will demonstrate professionalism, openness and a "can do" attitude at all times.

Strategic Objectives

LMC has six Strategic Objectives:

1. The industry is equipped with the tools to encourage its commercial development.
2. A better informed industry and general public.
3. Advising and influencing the policy making process.
4. Facilitating industry relationships with impartiality and integrity.
5. To be a relevant customer focused organisation that stakeholders understand, and meets their agreed requirements.
6. To have in place an effective, efficient and sustainable organisation.

Supporting these Strategic Objectives are Business Objectives for the financial year 2017-18.

These identify what LMC is seeking to achieve with its services and link directly to the Strategic Objectives (there were 11 Business Objectives in the 2017-18 Business Plan).

Under each of the business objectives detailed business activities with individual targets were undertaken. Progress against the business objectives was monitored throughout 2017-18, and was formally recorded at the end of each quarter in the LMC Business Monitor.

Chief Executive's Review

I am delighted to report that during 2017-18, in line with our Mission Statement, LMC successfully delivered a comprehensive programme of assurance, education, industry development, market information and promotional activity across our various service delivery sections. This activity is in direct support of the organisation's strategic objectives which align closely to our statutory functions under the 1967 LMC Act. The activity is specifically tailored to the needs of our funding stakeholders and helps to contribute to the delivery of DAERA's vision for a thriving and sustainable economy, environment and rural community. Details of LMC's performance against the specific targets, as outlined in our Business Plan at the start of 2017-18, are reported later in this annual report. Also provided in this report are highlights of work undertaken within the main business areas throughout the year in support of our strategic objectives and the audited financial statements for the organisation.

In reviewing the 2017-18 year a number of significant events and milestones took place that helped to shape LMC's programme of activity throughout the period. In April 2017 LMC commissioned a research project to investigate the impact of World Trade Organization (WTO) trading conditions on the Northern Ireland Beef and Sheep industry. The main purpose of the project was to investigate if there was any substance to the often quoted phrase at that time that 'no deal is better than a bad deal' when the UK exits the European Union ('Brexit'). A project management Board comprising representatives of LMC and Northern Ireland Meat Exporters Association (NIMEA) was formed to liaise with stakeholders and oversee the work of the Andersons Centre and Oxford Economics who were contracted to undertake this important work. A very insightful report, on the findings of the project, was launched publicly in September 2017 by LMC and gained a significant amount of media profile and stakeholder support, not just locally but in national and international circles. The evidence based report concluded that if the UK fails to agree a post-Brexit trade deal with the EU and has to instead revert to WTO trading conditions, Northern Ireland beef and sheep meat output could decline by 21%, with exports to the EU collapsing by over 90%. The report recommended that the most viable solution for safeguarding the future of the industry is not only a UK-EU post-Brexit comprehensive free trade agreement but that the UK should remain an interim member of the EU single market

and customs union during a five-year transition, with a midway review to examine whether enough progress was being made to facilitate frictionless cross-border trade.

LMC once again welcomed a large number of stakeholders and visitors to its stand at Balmoral Show during May 2017. LMC was delighted to host Professor Temple Grandin at the show for a meeting with stakeholders and for her to see and hear about the excellent livestock industry in Northern Ireland. Professor Grandin is an American professor of animal science at Colorado State University, is a world-renowned consultant to the livestock industry on animal behaviour, and is a highly inspirational autism spokesperson. In 2017 LMC celebrated 50 years of providing services and support to the NI red meat industry and 25 years of Northern Ireland Farm Quality Assured Beef and Lamb and both of these milestones were the main themes of LMC's stand at the Show. Almost 100% of price reported cattle at point of slaughter in Northern Ireland are now certified as NIBLFQAS approved and the industry continues to work closely with LMC to develop and promote NIFQAS beef and lamb to meet the needs and expectations of customers at home and abroad.

In June 2017 the LMC Chief Executive was nominated in the Excellence Award category for outstanding contribution to the UK meat industry at the annual Meat Management Industry Awards in Birmingham. This nomination is a fitting tribute for the entire team at LMC and the skills and expertise that they demonstrate daily in supporting and promoting the Northern Ireland red meat and livestock industry in the United Kingdom and throughout the world.

During the summer of 2017 LMC commissioned the production of a suite of high quality professional videos to visualise the excellence of the Northern Ireland red meat supply chain from feed to fork. These videos have proven to be a highly reusable resource by the industry. They have been showcased on the Northern Ireland meat stand at the Anuga Global Food Fair in Cologne Germany during October 2017, to customers of industry by processing companies, by Invest NI at international trade exhibitions, by various stakeholder organisations during events such as Lamb Week and Beef Week, on social media channels and by LMC during events such as a stakeholder and customer dinner in November 2017 to celebrate 25 years of NIFQAS beef and lamb. LMC is very grateful to the stakeholders who

allowed us to film on their premises and all those who featured on the videos. Readers of this annual report are welcome to view our videos by searching for Beef and Lamb NI on social media platform YouTube.

As an organisation that derives almost all of its funding from stakeholders in the beef and sheep meat industry LMC is very mindful of the need for active engagement with its stakeholder community. At a staff engagement and strategy development day in October 2017 one of the key themes emerging from that workshop was the importance of LMC's external communication. During the autumn and winter of 2017-18 the LMC Chairman and Chief Executive visited each of LMC's key levy paying processors, the main farming and processing representative bodies and a range of wider stakeholder organisations with the purpose of helping to inform the 2018-2021 Strategic Plan for LMC and the Business Plan for 2018-19. These plans have been developed and presented to LMC's Sponsor Department DAERA for approval. LMC also recruited a vacant communications officer / personal assistant position in September 2017 and an external communications plan has now been developed and is being implemented across the organisation. Whilst communication platforms are much more diverse than they were when LMC was founded we were delighted to see the 2500th edition of the weekly LMC Bulletin being published in Christmas week 2017.

In November 2017 LMC co-hosted with Agri-Food and Biosciences Institute (AFBI), College of Agriculture, Food and Rural Enterprise (CAFRE), Ulster Farmers Union (UFU) and National Sheep Association (NSA) a well-attended conference at Greenmount focussed on efficient sheep production. Over 250 delegates actively participated in the event which had expert speakers addressing a broad range of topics including sheep health, genetic improvement, production efficiency, meeting market requirements and the outlook for global sheep meat markets. LMC is a firm believer in working collaboratively with other like-minded organisations to deliver improved outcomes for stakeholders. During the course of the reporting year LMC has worked in partnership with a wide range of organisations to deliver programmes that positively benefit levy payers. One example of this is the 'Walk the Line' initiative which LMC runs in partnership with NIMEA members – this has allowed a significant number of beef and sheep farmers to visit meat plants across Northern Ireland to

get a detailed insight into how livestock are processed and marketed and the specifications that are demanded by our end customers.

The final quarter of the financial year was an extremely busy one for LMC. In January 2018 LMC launched a new 3 year advertising campaign to encourage people across Northern Ireland to include NIFQAS beef and lamb as part of a healthy balanced diet. Sales in the local NI market are worth over £100m annually to the beef and sheep meat industry (Source: The Andersons Centre, 2017) and LMC's advertising campaign is targeted at supporting the volume and value of sales in this important market. March 2018 was when the World Butchers Challenge came to the island of Ireland. 12 teams from across the world descended on the Titanic Exhibition Centre in Belfast to compete for the coveted title of World's best butchers at this high profile event. LMC sponsored the Northern Ireland Farm Quality Assured beef and lamb carcasses that were used by the competitors to serve up their impressive displays of beef and lamb products. France was awarded the trophy for World's best lamb product, Great Britain the award for World's best beef product and Team Ireland the Title of World's Best Butchers. Also taking place during March 2018 was a dinner to mark the 100th Anniversary of the Ulster Farmers Union, the main farming representative body in Northern Ireland and a key organisation which LMC engages with on a regular basis. LMC sponsored the main course of NIFQAS beef at this high profile and well attended dinner which was supporting the work of the Northern Ireland Air Ambulance.

In March 2018 the LMC Chief Executive was invited to participate in a UK / New Zealand Red Meat Supply Chain Integrity Programme. The programme, which took place in New Zealand, from 12 to 17 March 2018 was organised by the New Zealand Ministry for Primary Industries, Beef + Lamb New Zealand, the NZ Meat Industry Association, the NZ Ministry for Foreign Affairs and Trade and the British High Commission in New Zealand. The UK was represented on the study trip by senior industry and government representatives from across all four UK regions. It provided a tremendous opportunity to get a better understanding of how its Government and industry work very closely together to maximise the export opportunities for their country.

LMC recognises that its levy paying stakeholders, particularly in the processing sector, are becoming more multi-jurisdictional and international in their business operations. Whilst

our income is largely derived within Northern Ireland, our outlook is towards all areas of the world where our industry seeks to market its products. LMC has good working relations with the other UK red meat levy bodies and we cooperate closely through joint resourcing of projects such as Meat Matters and the UK Export Certification Partnership which are designed to support the entire red meat industry in the UK on a pre-competitive basis.

As an Executive NDPB, LMC works very closely with the sponsorship team in DAERA led by the Director of Sustainable Agri-Food Development. LMC operates within a highly regulated public sector control framework which ensures that there is strong accountability and governance for safeguarding the funds that LMC receives through statutory levy and service income to deliver its programmes for industry and government. LMC has daily engagement with its Sponsorship Team and we are grateful for the constructive working relationships that have been built with DAERA to oversee and support LMC's functioning.

During the 2017-18 reporting year LMC has conducted all of its business operations from temporary rented office premises at 1A Lissue Walk Lisburn. LMC is continuing to work with its insurers to determine the future of the Lissue House site at 31 Ballinderry Road, which remains the registered headquarters of LMC, but on which the main office building was destroyed by fire in June 2016.

Environmental Sustainability

LMC provides services for the largest private sector industry in Northern Ireland. By assisting towards achieving sustainability of the beef and sheep meat industry, we contribute to the social betterment of the rural community. Part of this contribution is through assisting all elements of the food chain, including producers and processors, to deliver their end products as efficiently and effectively as possible. More details regarding LMC's work on sustainability and climate change are outlined in the Industry Development section of this Annual Report. LMC has set in place good environmental practices within our own organization such as maintaining a contract to recycle various waste products (cans, paper, card and plastic).

Funding

LMC was established by the Livestock Marketing Commission Act (Northern Ireland) 1967 as a body corporate with perpetual succession. As an Executive NDPB LMC is classified to the central government sector for national accounts purposes and is sponsored by DAERA.

LMC's main funding comes from a statutory levy on livestock slaughtered within Northern Ireland. LMC also has a Service Level Agreement with DAERA for Cattle Deadweight Price Reporting to the European Union.

Levies

Under the Livestock and Meat Commission Regulations (Northern Ireland) 2003 the maximum sums payable per head by way of levy and the actual levies charged are set out as follows.

	Maximum Statutory Levy	Actual Levy Producers	Processors
Sheep	£1.00	£0.20	£0.10
Cattle	£6.00	£1.00	£1.00

Northern Ireland Beef and Lamb Farm Quality Assurance Scheme (NIBLFQAS)

Under 2017-18 funding arrangements for NIBLFQAS, producers pay a £55 joining and a £55 annual membership fee. Processors who wish to participate in the scheme pay a throughput fee of £1.00 per bovine animal and £0.10 per sheep slaughtered, plus an annual membership fee of £400 for a slaughterer/processor and £250 for a secondary processor.

Financial Review

The accounts for the year are set out on pages 67 to 89.

Performance Analysis

LMC Performance 2017-18

The table below summarises LMC's performance against its Business Plan targets for 2017-18. For further information on the detailed monitoring of 2017-18 objectives please contact LMC.

	Business Plan Performance Target	Outcome 31 March 2018
1	Facilitating Market Access and Development – Support of initiatives to encourage the global export marketing of NI beef and lamb.	Achieved
2	Provision of an Effective and Efficient NIBLFQAS Membership Scheme - Oversee the management of NIBLFQAS and ensure it evolves in line with the needs of all industry stakeholders.	Achieved
3	Facilitating Beef and Sheep Meat Business Improvement Initiatives - Ensure that industry is equipped with the appropriate tools to encourage sustainable intensification and delivery of produce in line with market specifications.	Achieved
4	Improving Stakeholder Understanding of LMC - Ensure stakeholders fully understand LMC's role, functions and value added.	Achieved
5	Commissioning / Leveraging Essential Production and Meat Research – Ensure research proposals are adequately resourced and delivered on time and on budget and in line with industry needs.	Achieved
6	Enhancing the Sustainability Credentials of Industry - Develop industry/stakeholder understanding of sustainability, and its response to, climate change.	Achieved
7	Promotion of Beef and Lamb Consumption by Consumers - Deliver a promotional campaign with an appropriate media mix in order to maximise reach and influence behaviour.	Achieved
8	Provision of Strategic Education Services - Enhance the understanding of agriculture and food both among pupils in secondary level education and the general consumer.	Achieved
9	Developing staff knowledge and skills - Provide our staff with the right skills and knowledge through appropriate training interventions and networking opportunities.	Achieved
10	Assembling of Essential Market Information - Ensure that LMC staff and stakeholders have access to detailed market information on the livestock and red meat trade.	Achieved
11	Communication of Market Information to Stakeholders – Ensure the widest possible dissemination of expert market analysis and market intelligence to LMC stakeholders.	Achieved

Review of Activity 2017-18

Industry Development Department Report

LMC is a recognised facilitator and honest broker in the industry and is engaged in the strategic development of a sustainable and profitable beef and sheep meat sector in Northern Ireland through provision of a range of Industry Development services. The Industry Development Department is responsible for developing and implementing LMC's Industry Development services which also include the operation and development of the Northern Ireland Beef and Lamb Farm Quality Assurance Scheme (NIBLFQAS) and the operation and development of LMC's Education and Consumer Promotion programmes.

1. Industry Development

Highlights of LMC's Industry Development activity for 2017-18 include the following:

Food and Feed Safety

During the course of the year LMC engaged with the Food Standards Agency Northern Ireland (FSA (NI)) as part of the Food and Feed Industry Advisory Panel (FFIAP). LMC also worked with the FSA (NI) to ensure appropriate implementation of beef labelling legislation changes regarding voluntary claims and earned recognition of NIBLFQAS participation with regard to Food and Feed Hygiene Regulation inspections.

Business Improvement and Knowledge Transfer

LMC continues to participate in the Greenmount Abbey Farm Knowledge and Technology Transfer (KTT) Working Group and also advises the College of Agriculture, Food and Rural Enterprise (CAFRE) on a range of KTT Projects. LMC also participates in CAFRE's Red Meat Board which involves providing strategic direction to the development of the two CAFRE farms and twice a year receives presentations from the students on a range of topics pertaining to beef and sheep production and management of the systems at the Abbey farm.

LMC was actively involved in a Sire Recording Stakeholder Group which is tasked with improving methods of sire recoding in Northern Ireland.

Antimicrobial Resistance

LMC attended meetings of the Cattle Antimicrobial Usage Data Collection Steering Group throughout the reporting period. This group was set up to bring industry and Government representatives together to ensure an industry aligned UK-wide approach for the quantification of antimicrobial use in cattle. This follows the O'Neill report on Antimicrobial Resistance (AMR) and the commitment by the former Prime Minister David Cameron to deliver on a five year strategy to tackle AMR. LMC has contributed to Northern Ireland's strategic response to AMR through attendance at cross departmental consultation meetings and is also a task lead on a DAERA funded project looking at Strategic Antimicrobial use in Dairy, Beef and Sheep Production.

Agri-Food Strategy Board (AFSB) Recommendations

LMC represented the interests of the beef and sheep meat sectors at meetings of relevant Agri-Food Strategy Board sub groups. LMC has been involved in coordinating the industry to assist with the out workings of key recommendations in the AFSB report up to and following the cessation of the Board. The ongoing work includes an initiative to progress the restructuring of genetic improvement systems for Northern Ireland's dairy, beef and sheep sectors to increase rates of genetic improvement and help to position NI among the international leaders in the application of genetics in these sectors. LMC made a significant financial contribution to this project enabling the completion of an options analysis and business case, with the aim of creating a livestock improvement information hub utilising web services links to existing sources of data such as APHIS, Bovine Information System (BovIS), milk recording service providers, artificial insemination companies, breed societies etc. LMC continues to contribute in the next phase of this project through a multi stakeholder working group.

Sustainability and Climate Change

LMC is a member of the Sustainable Agriculture Initiative (SAI) Platform and has been actively participating in the Platform's Sustainable Beef Working Group (SBWG) since its establishment in 2011. The Working Group (whose members who are active in the production, processing, procurement, promotion and retailing of beef) meets regularly at locations throughout Europe and maintains a three-year rolling work plan to address key

priorities in order to work towards the delivery of the Working Group's vision. During the year the SBWG launched 6 national and local pilot programmes under a common framework in 6 European countries: Germany, Italy, UK, Ireland, Poland and France, which aim to support the creation and further development of impactful national programmes on beef sustainability across some of Europe's largest beef-producing regions. The group also set-up the European Roundtable for Beef Sustainability, with formal recognition of this group by the Global Roundtable for Sustainable Beef (GRSB) and continued to be part of the Board of Directors of the GRSB.

LMC is also actively engaged in the work of DAERA's GHG Implementation Partnership (GHGIP) and has been working with other members during the year on the 2016-2020 Implementation Plan of Efficient Farming Cuts Greenhouse Gases. LMC Chief Executive was appointed Chairman of the red meat sub group of GHGIP in February 2017.

Research and Development

LMC is involved in a number of important Research and Development (R&D) projects on behalf of its stakeholders. LMC participated in three meetings of the R&D Joint (Levy Body) Committee this year. This provides an opportunity to contribute to larger research projects on a pro rata basis. LMC is also represented on the AgriSearch Beef and Sheep Advisory Committees and made a financial contribution to sheep research this year. The funding of the Sheep Committee has allowed a number of important projects to continue. LMC contributed to an eating quality research project led by AFBI. The project benchmarked the eating quality of NI lamb against NZ lamb at the time of year when quality has been traditionally poorer and when competition from competitors is at its greatest.

Animal Health and Welfare

LMC participated in Animal Health and Welfare Stakeholder Forum meetings throughout the year. The meetings are facilitated by DAERA and provide an opportunity to update industry representatives on disease trends and welfare issues. Northern Ireland's Bovine Virus Diarrhoea (BVD) voluntary eradication initiative part funded by LMC and taken forward by Animal Health and Welfare (NI) is now enshrined in legislation. LMC is represented on the BVD Eradication Programme Implementation Group.

Assisting Export Marketing

LMC owns and manages the European Union Trade Mark 'Greenfields' (for class 29 meat and meat extracts) on behalf of the beef and sheep meat industry. Greenfields is predominately used as a consumer facing brand in the Benelux countries by Dutch retailer Albert Heijn and is supplied by meat processing companies operating in Northern Ireland and the Republic of Ireland. LMC renewed its registration of Greenfields in 2016 for a further 10 year period.

During the year LMC carried out a wide range of activities to support the export marketing of the Northern Ireland beef and sheep meat industry and its products. LMC participated in the global food fair at Anuga Cologne during October 2017 to showcase the NI red meat industry with new promotional videos and to provide industry information to support NI export companies on the red meat stand. As an active and funding industry member of the UK Export Certification Partnership (UKECP) LMC has worked closely with other members of the partnership and wider industry stakeholders throughout the year to promote and prioritise third country market access negotiations for UK beef, lamb, pork and livestock genetics. Some good progress was made during 2017-18 with the Philippines granting approval in August 2017 for Northern Ireland plants to export beef to this important market. In addition to direct funding of the UKECP, LMC also provided financial support to facilitate inward official inspection visits of UK beef production controls from China and Japan during the year to help progress access negotiations to these two important priority markets. Locally, LMC continues to participate in DAERA's Meat Export Working Group and during the year LMC provided targeted financial support to AFBI to help progress accreditation of the Canadian Test method for E.coli to help facilitate industry demand for the export of manufacturing beef to Canada.

2. Education Services and Consumer Promotion

LMC educates consumers about the nutritional value of red meat in the diet and promotes beef and lamb in home markets. As part of this service to industry, we operate a highly valued education programme and successful retail sampling sessions which bring the best of Northern Ireland Farm Quality Assured beef and lamb to the consumers of today and tomorrow.

Highlights of LMC's Education and Consumer Promotion activity for 2017-18 include the following:

Cookery Demonstrations

LMC's educational programme continued this year with 327 beef and lamb cookery demonstrations taking place in Food and Nutrition classes in secondary schools throughout Northern Ireland. LMC's panel of freelance demonstrators (currently 9 on the team) have the opportunity to teach young consumers the role red meat plays in a healthy, balanced diet. The demonstrations are tailored to complement the new Food and Nutrition syllabus. Pupils are supported in their coursework and homework with information provided on LMC's nutritional website www.food4life.org.uk. The website continues to be updated and the nutritional information quality assured by British Nutrition Foundation (BNF), and includes information relevant to the new A level Nutrition and Food syllabus.

The importance of looking for Northern Ireland Farm Quality Assured beef and lamb is outlined at each demonstration. The role of the NIBLFQA scheme is explained in a simple and meaningful way during each demonstration. Pupils are then able to make an informed choice about red meat by discussing suitable cuts, simple, fast, tasty recipes, cooking methods, sustainability, traceability and safety in the food chain. LMC increased the ratio of lamb demos again in schools this year to great effect. As a result of this, Food and Nutrition teachers are now more willing to use lamb dishes in class and as part of most demonstrations.

Food and Nutrition Teachers Conference

LMC held a conference for 60 teachers of Food and Nutrition in the final quarter of the reported period. Speakers from LMC, Queen's University Belfast (QUB), Council for the Curriculum, Examinations and Assessment (CCEA), the Association of Teachers of Home Economics, FSA, Ulster University (UU) and British Nutrition Foundation presented on subjects relevant to the NI Food and Nutrition curriculum. The conference provided an excellent opportunity for LMC to continue and grow its relationship with Home Economics (HE) teachers throughout Northern Ireland. Teachers gave feedback on topics they would like to see on LMC's education website or at future conferences.

Resources

During the year LMC's information booklet 'The Natural Choice', outlining the importance of the Northern Ireland Farm Quality Assurance Scheme and including beef and lamb recipes, was distributed at all school demonstrations. Pens promoting the education food4life website were given out at school demonstrations too.

LMC provided beef and lamb resources (recipes, traceability leaflets) to charity and farming groups holding consumer events during this period. A suite of beef and lamb recipes and recipe videos was produced for use in schools, on LMC's education and consumer websites and on social media platforms – Facebook, Twitter and Instagram.

Communication of LMC's Education and Industry Development Activities

LMC worked with Aiken PR for the first half of the year to promote its education and industry development work. LMC employed a full time member of staff to carry out this function later in the year. Work during 2017-18 included promoting LMC's 50 year anniversary and 25 years of the Northern Ireland Farm Quality Assurance scheme. Further topics communicated during the year were beef and lamb recipe features, staff profiles, the Food and Nutrition Teachers conference, Balmoral Show, Beef Week, beef and lamb cuts, NIBLFQAS, Lamb Week, nutrition tips, and Open Farm Weekend.

A supply chain video was produced during the year. Such was the amount of footage that six videos were produced. These were used and will continue to be used at events, on LMC's websites, in presentations, in schools and promoted on social media.

LMC continued to communicate on Twitter and its corporate Facebook page. A second Facebook and Instagram page were created, aimed at consumers and these have proved successful in telling stakeholders what LMC is doing as well as enticing them to cook with beef and lamb.

The education website food4life.org.uk and consumer website beefandlambni.com have both been subject to a revamp and update during the year.

MeatMATTERS

LMC is a member of the joint levy body initiative Meatmatters, which promotes the benefits of red meat in the diet to consumers across the UK. It also ensures negative press coverage regarding health scares is responded to by appropriate experts in the red meat industry (the Meat Advisory Panel) in a timely manner. Throughout the year rebuttal / informative messages were given to the press on issues such as coronary heart disease, diabetes, red meat and cancer, the danger of reducing the amount of red meat in the diet, especially for females, flexitarian diets, meat free Mondays, vegetarianism, and veganism. This work with Meatmatters has allowed positive messages about red meat to reach over 42 million consumers across the UK.

Meat and Education

LMC continued to work with AHDB through their Meat and Education campaign. This gave teachers in Northern Ireland access to more resources and information regarding beef and lamb. They could also make use of the Meat and Health and the Meat Advisory Panel websites too so that they were able to read measured scientific information surrounding red meat. LMC hopes to continue to work with the British Nutrition Foundation to keep education and nutrition messages in schools and on the food4life website up to date and relevant to consumers.

Stakeholder Engagement

LMC's presence at Balmoral Show during the reported year gave ample opportunity to highlight the role the Commission plays in the agri-food industry. 2017 was LMC's 50th anniversary and the 25th anniversary of the NIBLFQAS so a history wall was created on LMC's stand. Beef and lamb cookery demonstrations were held on the stand for the first time in many years and were well received by visitors/stakeholders.

An industry dinner was held in September to celebrate both anniversaries and this was a very successful and well attended event.

The Education Services Manager attended the BNF NI Education Working Group in December. This was an ideal opportunity to explain LMC's role in educating pupils on the merits of cooking with NIFQA beef and lamb. It also enabled LMC to get feedback from the

teachers present as to what would be useful content for the A-level section of LMC's education website.

LMC engaged with a wide range of stakeholders during the year including UFU (Beef Week, Lamb Week and Open Farm Weekend), NSA (Lamb Week), food and nutrition teachers (School Cookery Demonstrations and LMC Teachers Conference), processors (Walk the Line tours), Health and Safety Executive Northern Ireland (HSENI) (Farm Safety Week), FSA, QUB, UU, CAFRE and AFBI at various other events throughout the year.

LMC Media Campaign-NIBLFQAS

A beef and lamb media campaign comprising television and radio advertisements, outdoor advertising, press, print and online advertising and social media centred around the message 'Flavour your Life' was revamped by LMC's new agency Genesis Advertising. The whole campaign was supplemented by beef and lamb cookery demonstrations in schools, a planned communications programme in the agricultural and consumer press and on social media. Consumers were able to avail of beef and lamb recipes and consumer information on LMC's beefandlambni.com website, and its consumer Facebook and Instagram pages. The campaign was a great opportunity to continue to build on awareness of the Northern Ireland Farm Quality Assured logo and further improve consumer confidence in choosing and cooking beef and lamb. Recognition of the logo was extremely positive and increased, especially for lamb.

Placement students

LMC provided a year-long placement to a student from Loughry College. The student worked with the Industry Development department, especially in the education section, for three days a week and with the administration department the remaining two days.

3. Northern Ireland Beef and Lamb Farm Quality Assurance Scheme

Participation

In the 2017-18 financial year producer numbers participating in the Northern Ireland Beef & Lamb Farm Quality Assurance Scheme (NIBLFQAS) has decreased slightly, with an approximate decrease in scheme membership of 1% in comparison to the 2016-17 financial

year. In the 2017-18 financial year there was an 18.5% decrease in NIBLFQAS applications to the scheme in comparison to the financial year end 2016-17. At the end of the 2017-18 financial year producer participation in NIBLFQAS stood at 12,138, a decrease in membership of 122 or 1% relative to the end of the last financial year. Overall the percentage of price reported domestic prime cattle that were farm assured at time of slaughter was 99.12% at the end of the 2017-18 financial year. Steers represented the highest category for assurance proportion at 99.38% with cull cows reaching a level of 91% assurance during the year.

Certification

In the 2017-18 financial year 7,741 surveillance inspections were conducted by the Certification Body, Northern Ireland Food Chain Certification (NIFCC), which represents an average surveillance inspection interval of 18 months against a maximum target of 18 months. There were 542 spot-check inspections, representing 4.7% of scheme members against a minimum target of 5%. It is important to note that the NIFCC Certification Contract year runs from November to October and as such the reported inspection intervals for the financial year are not directly comparable to the yearly contractual obligations. Ongoing monitoring of performance against contract is undertaken by LMC and reported to the NIBLFQAS Industry Board and LMC Board. By the end of the contract year 2 (31 October 2017) NIFCC were 60 inspections below target. The majority of the inspection deficit was from surveillance and spot check inspections, initial inspections take priority.

This contract was awarded for an initial contract period of three years with the option to extend for two additional one year periods.

Scheme Management

- **NIBLFQAS Industry Board/Standard Setting Committee**

In 2017-18 LMC continued to facilitate meetings of the NIBLFQAS Industry Board and NIBLFQAS Standard Setting Committee (SSC) to ensure that NIBLFQAS continues to operate effectively and efficiently in line with industry needs.

- **Earned Recognition**

LMC continued to operate earned recognition with Food Standards Agency (FSA) and DAERA Food and Farming Group (FFG) for statutory inspections and NIBLFQAS.

- **Celebrating 25 years of NIBLFQAS**

The Livestock and Meat Commission for Northern Ireland (LMC) worked continuously throughout 2017 to promote the 25th anniversary of the Northern Ireland Beef and Lamb Farm Quality Assurance Scheme (NIBLFQAS) on a NI, GB and global platform. Various events and activities took place throughout the year to mark the anniversary:

- Official launch of the anniversary on the farm of 25 year-long member Edward Carson
- LMC hosted a talk by the world renowned American Professor of Animal Science Temple Grandin at Balmoral Show
- NIBLFQAS welcomed Agri Journalists from GB to the NSA sheep event as well as taking them on a visit to CAFRE's new sheep house at Glenwherry. The follow up press focused on NIBLFQAS.
- During August, LMC visited a number of '25 year' members across the country to thank them personally for their contribution to the scheme over the past 25 years. The farmer testimonials were published in the press.
- Elsewhere, NIBLFQAS was profiled at Anuga in October 2017, the world's leading food fair for retail trade, food service and catering markets. Attending the show meant that LMC could highlight the vitally important heritage of NI beef and lamb as the event attracted over 160,000 visitors from all over the world.
- LMC hosted a celebratory dinner to mark the NIBLFQAS anniversary on November 7 at the La Mon Hotel, Belfast. This event saw over 220 guests in attendance which included a number of members who have been in the scheme for 25 years along with industry stakeholders. The key note speaker was Professor Patrick Wall from

University College Dublin and he stressed the importance of the high quality beef and lamb that is produced in NI and noted that with Brexit NIBLFQAS has something special to offer.

Standards Review

A formal review of Standards and Rules takes place every 3 years. In 2017 the NIBLFQAS Standards and Rules were comprehensively reviewed by the NIBLFQAS Standard Setting Committee ensuring that all stakeholders have the opportunity to participate in the review. It is vital that NIBLFQAS continues to develop with the needs of the industry and the market place it supplies.

Many of the changes in the review are in line with new legislative requirements and industry initiatives. The key areas of change were:

- Animal Health Planning
- Responsible Use of Rodenticides
- Use of Agrochemicals and Plant Protection Products
- Farm Safety

All NIBLFQAS participants were provided with a hard copy of the revised Standards and Rules in February 2018 to allow participants to familiarise themselves with the changes before they are implemented in full. A transition period is in place and inspections will commence against the new Standard and Rules on 1 June 2018.

NIBLFQAS Butchers Licensing

Over the course of 2017-18 the NIBLFQAS Industry Board and Standard Setting Committee agreed that LMC should no longer operate a Butcher Licensing Scheme for NIBLFQAS. LMC undertook work with Environmental Health Officers to ensure the NIBLFQAS logo was not misused in butcher's shops.

NIBLFQAS CRM Database Development

Throughout 2017-18, development of the CRM (Customer Relationship Management) NIBLFQAS database continued. The CRM NIBLFQAS database has been operational since

January 2015. This database is key to the future development of the scheme ensuring all scheme data is secure, is captured efficiently and can be interrogated to provide useful statistics for the industry. LMC are continuing work to upgrade CRM to the most recent supported version and following this will continue to develop a Document Management System.

Assured Food Standards

LMC continues to maintain good lines of communication with Assured Food Standards (AFS) with regards to the Red Tractor (RTA) Beef and Lamb Assurance Scheme. NIBLFQAS and RTA Beef and Lamb are considered equivalent assurance schemes therefore LMC meets with AFS throughout the course of the year to discuss scheme developments.

Communications

LMC continued to update NIBLFQAS participants on scheme developments via the NIBLFQAS Newsletter which is distributed bi-annually and via the text messaging service. Press releases were published throughout the course of the year highlighting the 25 year celebrations and promoting the scheme.

Farm Liaison

The NIBLFQAS Farm Liaison Service continued to provide valuable assistance before and after inspections to NIBLFQAS participants during the 2017-18 reporting period. The Liaison Service continued to actively call members of the NIBLFQAS at both suspension and revocation stages to offer assistance in rectification of non-conformances. The Liaison Service handled a significant volume of queries through the NIBLFQAS Helpline and referrals from the Certification Body. The NIBLFQAS Farm Liaison Officer dealt with on average 143 calls per month from and to members of the NIBLFQAS. The Farm Liaison Officer extends the Liaison Service to Livestock Markets in each of the six counties to assist NIBLFQAS members in their locality.

Scheme Funding

The current funding streams that are in place for NIBLFQAS are from both producers and processors. Producers pay an annual participation fee of £55 + VAT and Processors pay a

throughput fee on each animal slaughtered (£1.00 per bovine animal and £0.10 per ovine animal). Processors also pay an annual membership fee of £400 for a slaughter/processor and £250 for a secondary processor. Looking forward to scheme funding over the next five years, discussions took place in 2017-18 that current funding arrangements for NIBLFQAS may not be sustainable. LMC and the NIBLFQAS Industry Board will keep this under review.

Market Information Department Report

During the 2017-18 financial year LMC continued to deliver Market Information services to support the NI red meat industry. The Market Information Department continued in its commitment to provide timely and accurate information that informs stakeholders about market developments using a mixture of basic statistics, research and analysis all delivered through LMC publications, the LMC website, as well as a number of events, seminars and presentations.

Beef Market Overview 2017-18

The deadweight cattle trade firmed early in the 2017-18 financial year in response to strong demand for beef from major UK retailers and food service customers and remained relatively stable thereafter. Prime cattle throughput in local plants improved early in the financial year in response to increased supplies of cattle for slaughter and has remained steady as the year has progressed. Strong calf registrations in NI over the past few years and reduced levels of export for further production and direct slaughter have increased supplies of NI origin cattle. This has resulted in a notable decline in the proportion of the NI prime cattle kill sourced from ROI. In the first half of the financial year there was a notable decline in average carcase weights compared to previous years however these recorded a recovery in the second half of the year and were higher than year earlier levels in the final quarter.

A weaker sterling against euro has reduced the competitiveness of EU beef imports (primarily from ROI) on the UK retail market which has resulted in increased demand for locally produced beef. In addition a weaker sterling makes NI and UK beef exports much more competitive in the important EU market. The combination of these factors has contributed to the stability recorded in the deadweight trade for prime cattle in NI throughout the 2017-18 financial year.

Prime cattle throughput in NI during 2017-18 totalled 334,023 head, a 5.3 % increase on prime cattle throughput during the previous year when 317,187 prime cattle were killed locally. The increased throughput during 2017-18 is the second consecutive year in which the NI prime cattle kill has recorded an increase. This follows on from a prolonged period of steady decline in prime cattle throughput in NI plants. As outlined above there was a

notable decrease in the carcass weights of prime cattle in the early stages of the year and these recovered as the year progressed. The average prime cattle carcass weight during 2017-18 was 334.8kg, a 1.1kg decline from an average carcass weight of 335.9kg during 2016-17. Overall the volume of beef from prime cattle handled by NI plants totalled 111,802 tonnes during the 2017-18 financial year. This was a 5.1 % increase from the previous year.

Cow throughput in NI plants remained strong during 2017-18 with a total of 105,604 cows slaughtered, a 4.1 % increase from 2016-17 levels when 101,413 cows were killed in local plants. There was a reduction in cow exports to ROI for direct slaughter during the 2017-18 financial year which contributed to the higher cow throughput. An increase in cows for direct slaughter from the UK was also a contributory factor in increased local throughputs. The average cow carcass weight recorded a slight decrease to 297.5kg during 2017-18 compared to 298.9kg during the previous financial year. The volume of cow beef handled by local processors during 2017-18 was 3.7 % higher than year earlier levels. This is the third year in a row that substantial increases in the volume of cow beef processed by NI plants have been recorded.

The average R3 steer price in NI during 2017-18 was 361.5p/kg, up by 20.8p/kg from 340.7p/kg during the 2016-17 period. In the second half of 2017 prime cattle prices in NI improved with reduced imports of prime cattle from ROI for direct slaughter increasing competition for the steady supplies of prime cattle available locally. With the euro trading strongly against sterling during the second half of 2017 it made UK produce much more competitive on key EU markets. Cow prices in NI also firmed during 2017-18 when compared to year earlier levels. The average O3 cow price in NI during 2017-18 was 278.5p/kg compared to 250.2p/kg during 2016-17.

Beef sired calf registrations on NI farms held stable during 2017-18 with a total of 361,888 beef sired calves registered. While the number of beef sired calves registered to suckler cows has remained relatively stable an increase in the use of beef genetics in the dairy herd have led to more beef cross calves being registered in NI. These animals provide a valuable source of raw material for the NI beef industry in the form of heifers for replacement suckler cows and also animals for beef finishing. The number of cattle for beef production on NI farms at the end of the 2017-18 financial year was broadly similar to the previous

year. Prime cattle supplies for slaughter are expected to remain strong as 2018-19 progresses. Limousin continued to be the most popular beef sire used on NI farms however there have been a notable increase in the number of Aberdeen Angus and Hereford calf registrations. The number of dairy sired male calves registered in NI during 2017-18 totalled 78,735 head, back from 81,032 dairy male calves registered during the previous year.

Imports of cattle from ROI for direct slaughter in NI during 2017-18 totalled 9,170 head, an increase from 2016-17 levels when 8,060 cattle were imported. A further 6,676 cattle were imported from GB for direct slaughter during 2017-18, up from 3,980 head during the previous year. Meanwhile cattle exports from NI for direct slaughter in ROI totalled 9,412 head during 2017-18, back slightly from the previous year when 10,246 head were exported. During 2017-18 a total of 3,509 cattle were exported from NI for slaughter in GB, back from 4,398 head during the previous year. There was a notable decline in the number of prime cattle making the journey to GB for direct slaughter and this can be attributed to a narrowing in the price differential for prime cattle between the two regions.

Sheep Market Overview 2017-18

Lamb/hogget throughput in NI totalled 420,375 head during 2017-18, a 2.9 % decrease on 2016-17 levels when 433,131 lambs/hoggets were killed in NI plants. This is the second consecutive year in which lamb/hogget throughput in local plants has recorded a decline. The average carcass weight of lambs/hoggets killed locally during 2017-18 was 21.5kg, a slight decline from 21.6kg during the previous year. A cold wet summer in 2017 followed by a long winter impacted lamb performance and this will have contributed to the slight reduction in average carcass weights.

The decrease in annual lamb/hogget throughput in local plants can be attributed to an increase in the proportion of NI lambs exported to ROI for direct slaughter, particularly in the final quarter of 2017-18. Lamb/Hogget exports to ROI for direct slaughter totalled 350,903 head which accounted for 45 % of total lamb/hogget output from the NI sheep flock. With the euro performing strongly against sterling NI origin lambs were attractive to processors in ROI which will have been one key factor behind the increase in exports year on year. However a weaker sterling also has the benefit of making NI lamb more cost competitive on other key EU markets which contributed to an increase in NI deadweight

prices. The average deadweight lamb/hogget price in NI during 2017-18 was 415p/kg, a notable increase from an average of 385.4p/kg during 2016-17. This increase by 29.6p/kg equates to £6.21 on a 21kg lamb/hogget year on year and is the second consecutive year in which the NI sheep market has recorded strong increases in deadweight prices.

Price Reporting Services

LMC continued to deliver statutory price reporting obligations for DAERA and 52 price reports were submitted to the European Commission during the year. The basis of this service is the provision of individual factory price reports to LMC on a weekly basis and in 2017-18, 85 % of all cattle slaughterings in Northern Ireland were price reported. LMC has communicated its weekly price reports in a range of formats and publications, including the LMC Bulletin, LMC Quarterly, the LMC website and through the agricultural media.

Market Analysis and Research

The Market Information Department has continued to conduct bespoke analysis using a range of data sources in response to ongoing trends observed throughout the year. LMC has also engaged with a range of stakeholders over the course of the year and through the data request service the Market Information department has provided the NI beef and sheepmeat industries with a wide range of information including specifications, prices and supplies of cattle and sheep.

LMC's Market Information Department was also responsible for commissioning a research study into the potential implications of WTO trading on the NI beef and sheepmeat markets. The key findings of the report outlined that if the UK fails to agree a post-Brexit trade deal with the EU and has to instead revert to World Trade Organization trading conditions, Northern Ireland beef and sheep meat output could potentially decline by 21%, with exports to the EU collapsing by over 90%.

Publications

LMC continued to deliver a comprehensive range of statistical publications in 2017-18. The weekly LMC bulletin remains the primary distribution method for providing the NI beef and sheepmeat industry with impartial market information. The Bulletin is published every Saturday in the Farming Life newspaper, on the LMC website and is distributed to email

subscribers. The information and reports contained within the Bulletin are constantly being reviewed and improved to ensure it continues to meet industry needs.

The Bulletin is complemented by LMC Quarterly publication which gives the deeper analysis of strategic issues. This is distributed via post to LMC stakeholders and hosted on the LMC website. Topics covered in this year's editions included a focus on Brexit and its potential implications for the NI red meat sector, an overview of the NI beef and sheepmeat markets and a look at the global red meat markets.

The text message service is an increasingly popular and effective vehicle for provision of weekly market information to producers. There are now over 7,000 subscribers to the LMC text messaging service. LMC continues to provide daily price updates on the LMC answerphone service and to BBC Radio Ulster.

The Market Information Department also provides a range of monthly reports for publication on the website during the year. This includes a report on the number of cattle available for production on NI farms, an update on calf registrations and a monthly snapshot of the beef and lamb market in Northern Ireland.

Export Development

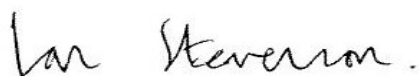
LMC continued to support the work of the UK Export Certification Partnership (UKECP) this year. With the UK opting to leave the EU market access issues became an even higher priority in 2017-18. Whilst there are now over 60 third countries available to UK beef and lamb exporters outside the European Union the opportunities in many of these countries are limited due to weak economies and currencies, religious slaughter requirements and competition from cheaper alternative sources of protein. During 2017-18 LMC worked closely in partnership with other UK Levy Bodies and Government Departments to try and progress access to priority markets where there are tangible ongoing opportunities including the USA, China, Japan and the Philippines. LMC will continue to prioritise this important work area.

Efficient Lamb Production Conference

LMC, AFBI, CAFRE and the UFU came together in November 2017 to jointly host the 'Efficient Lamb Production' conference. Over 300 people from across the sheep sector attended the successful event which was held at CAFRE Greenmount campus. The focus of the event was on assessing current practices in the NI sheep and exploring the scope for change in farm management and systems to improve efficiency and ultimately profitability of NI lamb production. The aim was also to provide a forum where farmers and other industry representatives could discuss the challenges they face in lamb production

Walk the Line Events

LMC operated a pilot programme of processor visits called 'Walk the Line' during 2017-18. These events were hosted by all the leading NI beef and Lamb Processors in association with LMC, NIMEA and UFU. These events provided producers with the opportunity to experience beef and lamb processing from the lairage right through to the retail pack and discuss issues such as current market requirements, grading and dressing specs. In the first year of the programme over 100 producers participated in the programme with very positive feedback from the visits.



Ian Stevenson
Accounting Officer

25 June 2018

Accountability Report

Corporate Governance Report

Directors Report

Commission Membership

The Minister for Agriculture, Environment and Rural Affairs appoints the chairman and members of the LMC Board for three-year terms. As of 31 March 2018 there are six members on the Commission (“the Board”). Board appointments and committee membership are set out below:

Name	Date appointed	Date term expires/expired	Committee Membership
Gerard McGivern	06 Nov 2015	05 Nov 2018	Chairman Remuneration (Chair)
Patrick McElroy	01 Feb 2014	31 Jan 2020	Audit and Risk Assurance (Chair)
Harry Sinclair	01 Jul 2015	30 Jun 2018	Audit and Risk Assurance
Oonagh Chesney	01 Jul 2015	30 Jun 2018	Audit and Risk Assurance Remuneration
Jim Lennon	01 Jul 2015	30 Jun 2018	Audit and Risk Assurance
Gerry Maguire	22 Oct 2015	21 Oct 2018	Remuneration

The role of the Board is to act effectively as Non-Executive Directors of LMC and to exercise the ultimate control on policy. Management of LMC is delegated by the Board to the Chief Executive and a management team. The Chief Executive, having responsibility also as Accounting Officer, is responsible to the Board for the proper conduct of LMC affairs and the development and implementation of the policies determined by the Board. The Board meets routinely once per month, with additional meetings on an ad hoc basis when circumstances require.

Conflict of Interests

None of the members of the Board has any significant interests which would conflict with their corporate responsibilities. The Commission maintains a Register of Interests for all Board members and staff. The following section outlines Board members interests. The Governance Statement gives further details in relation to the management of any Conflict of Interest.

Gerard McGivern (Chairman)

Mr. Gerard McGivern has served as the Chairman of LMC since 06 Nov 2015. Mr McGivern is a Fellow of the Chartered Institute of Marketing and a Fellow of the Institute of Economic Development. He has been involved at a senior level in a number of district councils in various marketing and development roles and has led numerous cross border initiatives. He is a Director of Banbridge District Enterprises Ltd, and a Non-Executive Director of the Northern Health and Social Care Trust.

Patrick McElroy

Mr. Patrick McElroy was appointed to the LMC Board in February 2014. Mr McElroy was Company Secretary and a Director of Bourlion Limited until 01 October 2017. From 1997 to 2007 he was Company Accountant at Omagh Meats. He has significant financial experience at a senior level in the meat processing industry and, in addition to his financial skills, brings experience and a good understanding of the issues facing the red meat processing sector to the work which the LMC does.

Harry Sinclair

Mr. Harry Sinclair was appointed to the LMC Board in July 2015. Mr Sinclair is a suckler cow, beef and sheep farmer producing Aberdeen Angus beef for premium markets and lamb for the UK markets. As a past President of the Ulster Farmers Union (UFU), he has extensive experience of advocacy on behalf of the farming community. He has served as Chairman of the UFU's Hill Farming and Beef and Lamb Committees and is a founder member of the Farm Safety Partnership. He has served as Vice-President of the Committee of Professional Agricultural Organisations ("COPA") and has represented the UK on the EU Commission's Sheep and Beef Advisory Committees. He has also served as Chairman of AgriSearch's Beef

Committee and as a producer representative on the Red Meat Taskforce. He brings significant experience of working on policy committees to the Board of the LMC. Mr Sinclair is a board member of the Health and Safety Executive for Northern Ireland (HSENI). He was Chairman of NIFCC until October 2016.

Oonagh Chesney

Ms. Oonagh Chesney was appointed to the LMC Board in July 2015. Ms Chesney is Company Secretary for Fane Valley Co-op Society Ltd and its group subsidiary companies including Linden Foods Ltd. She has an active role in the family beef farming business. She combines corporate governance experience with a good understanding of the challenges facing the LMC and will bring her experience of red meat production and processing to the Board of the LMC. Mrs Chesney holds no other public appointments.

Jim Lennon

Mr. Jim Lennon was appointed to the LMC Board in July 2015. Mr Lennon is a beef farmer specialising in the production of Aberdeen Angus cattle. He is also involved in the Derrynoose Farming Community Group which promotes investment and training in livestock production. He has significant wider senior public sector experience shown in both his current role as Head of Corporate Service for Middletown Centre for Autism and various senior roles in the National Health Service. He has also been involved in local economic and social regeneration matters. He is Chair of the Blood Transfusion Service until July 2018.

Gerry Maguire

Mr. Gerry Maguire was appointed to the LMC Board in October 2015. Mr Maguire has 37 years' experience in the Red Meat processing industry. He is currently Managing Director of Linden Foods. He is directly responsible for the Linden Foods Group which has an annual turnover of £400million. He is also Director of Slaney Foods and has previously served three years on Bord Bia's Meat and Livestock Board.

Pension Liabilities

Further details in relation to the pension schemes are given in accounting policy note 1 to the accounts and in the Remuneration Report.

Auditors

The financial statements are audited by the Comptroller and Auditor General for Northern Ireland (C&AG) in accordance with the Livestock Marketing Commission Act (Northern Ireland) 1967. He is head of the Northern Ireland Audit Office and he and his staff are wholly independent of the Livestock and Meat Commission for Northern Ireland and reports his findings to the Northern Ireland Assembly.

The Accounting Officer has taken steps to make himself aware of any relevant audit information and to establish that the auditors are informed of that information. So far as he is aware, there is no relevant audit information of which the auditors are unaware.

The audit of the financial statements for 2017-18 resulted in an audit fee of £10,000 and this is included in the other operating charges in the Statement of Comprehensive Net Expenditure. The C&AG did not provide any non-audit services during the year.

Financial Risk Management

Further details in relation to financial risk management are given in accounting policy note 1 to the accounts.

Complaint Handling

LMC is committed to providing the highest possible standards of service to all its customers, and has a Staff Code of Conduct that details the core standards of service our staff are expected to deliver. Central to these is the facility for customers to lodge formal complaints if things go wrong. In line with our complaints procedures, and our equality commitments, we monitor complaints received and our handling of them. There were no complaints received in 2017-18.

Significant Issues

Further details in relation to any significant issues are given in the Strategic Report and Governance Statement.

Statement of the Commission and Accounting Officer's Responsibilities

Under the Livestock Marketing Commission Act (Northern Ireland) 1967 the Department of Agriculture, Environment and Rural Affairs (DAERA) has directed the Livestock and Meat Commission for Northern Ireland (LMC) to prepare for each financial year a statement of accounts in the form and on the basis set out in the Accounts Direction provided by the Department of Finance (DoF). The accounts are prepared on an accruals basis and must give a true and fair view of LMC's state of affairs at the year end, of its comprehensive net expenditure, financial position at year end, changes in taxpayers equity and cash flows for the financial year.

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual (GFRM) and in particular to:

- Observe the accounts direction issued by DAERA including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgments and estimates on a reasonable basis;
- State whether applicable accounting standards as set out in the GFRM have been followed, and disclose and explain any material departures in the financial statements; and
- Prepare the financial statements on the "going concern" basis, unless it is inappropriate to presume that the entity will continue in operation.

The Accounting Officer of DAERA has designated the LMC Chief Executive as the LMC Accounting Officer. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for the keeping of proper records and for safeguarding the LMC's assets, are set out in Managing Public Money NI, issued by DoF.

The Accounting Officer is responsible for the maintenance of the LMC's website, and establishing suitable security procedures and controls to prevent unauthorised amendment and to ensure the integrity of the website. He is also responsible for ensuring that electronic publication of the financial statements and auditor's report properly present the original certified statements.

Governance Statement 2017-18

This governance statement sets out how the Accounting Officer receives assurance on the management of risks to delivering the performance targets. It sets out how the Board and associated committees provide assurance and demonstrate value for money, regularity and propriety in delivering its strategic objectives. It also explains how control issues are addressed.

Scope of responsibility

LMC is responsible for ensuring that its business is conducted in accordance with the law and proper standards. In discharging this overall responsibility, LMC is responsible for putting in place proper arrangements for the governance of its affairs, facilitating the effective exercise of its functions, and which includes arrangements for the management of risk.

The Accounting Officer for DAERA has designated the LMC Chief Executive as the LMC Accounting Officer. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in Managing Public Money NI, issued by DoF.

The Accounting Officer is responsible for maintaining a sound system of internal control that supports the achievement of the Livestock and Meat Commission's aims and objectives, and that public money is safeguarded and properly accounted for, and used economically, efficiently and effectively.

The governance framework

The governance framework comprises the systems and processes, culture and values by which LMC is directed and controlled. It enables LMC to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money for its stakeholders. LMC's governance framework adopts, to the extent appropriate for an organisation of LMC's size, scope and risk, the

principles of the Corporate Governance in Central Government Departments: Code of Good Practice (NI) 2013.

The Minister for Agriculture, Environment and Rural Affairs is accountable to the Northern Ireland Assembly for the activities and performance of LMC. The Management Statement and Financial Memorandum (MSFM) define the accountability arrangements of LMC to DAERA (Sustainable Agri-Food Policy II Branch being LMC's sponsors within DAERA). During the year, and in the absence of a Minister, this was reviewed by DAERA with any revisions being brought to the attention of LMC. Ministerial approval will be required for a formal sign off of the MSFM.

The Strategic Plan provides an overview of the statutory purpose of LMC. It identifies the major factors influencing LMC's strategy and formalises the major inputs from its stakeholder consultation process. The Strategic Plan outlines LMC's strategic objectives over a rolling 3 year period and associated business objectives for the next year. The Business Plan is formed from the first 12 months of the Strategic Plan and includes key targets and milestones. Financial budgets are produced annually for the forthcoming 12-month period. The LMC Strategic Plan for 2016-19 was reviewed by the Board in December 2016 to set priorities for 2017-18. The Strategic Plan, along with the LMC Business Plan and Budget for 2017-18 were considered by the joint DAERA/LMC Board meeting on 22 March 2017, and subsequently approved by the Departmental Board on 26 April 2017, with the view to having formal sign off by the Minister once in place.

The governance framework has been in place at LMC for the year ended 31 March 2018 and up to the date of approval of the annual report and statement of accounts.

LMC Board

The LMC Board comprises a chairman and five non-executive members, appointed by the Minister for Agriculture, Environment and Rural Affairs for three-year terms. The Board meets routinely once per month, with additional meetings on an ad hoc basis when circumstances require.

The Board has corporate responsibility for ensuring that LMC fulfills the aims and objectives that are approved by DAERA, and for prompting the efficient, economic and effective use of staff and other resources by LMC. To this end, and in pursuit of its wider corporate responsibilities, the Board:

- Establishes the overall strategic direction of LMC within the policy and resources framework determined by DAERA and its Minister.
- Ensures that DAERA and its Minister are kept informed of any changes which are likely to impact on the strategic direction of LMC or on the attainability of its targets, and determines the steps needed to deal with such changes.
- Ensures that any statutory or administrative requirements for the use of public funds are complied with, that the Board operates within the limits of its statutory authority and any delegated authority agreed with DAERA and in accordance with any other conditions relating to the use of public funds, and that, in reaching decisions, the Board takes into account guidance issued by Government.
- Ensures that it receives and reviews regular financial information on the management of LMC, is informed in a timely manner about the activities of LMC, and provides assurances to DAERA that action has been taken to make appropriate adjustments where required.
- Demonstrates high standards of corporate governance at all times.
- Appoints, with DAERA's approval, a Chief Executive to LMC and, in consultation with DAERA, sets remuneration terms for the Chief Executive.

Evaluation of Board Performance

Table 1 sets out the attendance of Commission Members for the financial year 2017-18 at Board and Audit and Risk Assurance Committee (ARAC) meetings where applicable:

Table 1

NAME	BOARD MEETING	ARAC
Gerard McGivern Appointed 6/11/2015	13/13	-
Patrick McElroy Appointed 1/2/2014	12/13	3/3
Harry Sinclair Appointed 1/7/2015	13/13	3/3
Oonagh Chesney Appointed 1/7/2015	13/13	3/3
Jim Lennon Appointed 1/7/2015	10/13	3/3
Gerry Maguire Appointed 22/10/2015	10/13	-

Prior to each Board meeting papers and the meeting agenda are issued to aid discussions. Regular performance and financial information is provided to the Board. The minutes of Board meetings are provided to DAERA and hosted on LMC's website.

The Sustainable Agri-Food Development Director of DAERA assesses the LMC Chairman's performance annually. The LMC Chairman assesses individual Board members annually.

In April 2018 the Board completed a performance self-assessment checklist using the 6 core elements of corporate governance in the 'Good Governance Standard for Public Services'. With the exception of 1 sub-section, all members stated the compliance of the Board in each of the 6 sections either met or exceeded expectations, including:

- The Board is actively involved in strategic planning and policy decisions;
- The Board has a clear and effective relationship with its executive team;
- The Board operates the highest standards of governance, and governance is regularly reviewed by the ARAC;
- Board meetings are effective; productive and enjoyable;
- The Board is composed of the right level of skills, knowledge and aptitude;
- The Board's performance is actively monitored and improved through objective assessment;
- The Board understands its role in building and enhancing the organisation's reputation; and

- Roles are clearly defined.

The results of the self-assessment were discussed at the April 2018 Board meeting, and the overall results of the checklist are shown in Table 2. In comparison to the previous year’s assessment figures for Exceeded Expectation have decreased by 3%, and figures for Met Expectations have increased by 3%.

Table 2

Exceeded expectation	Met expectations	Partially met expectations	Did not meet expectations
61%	38%	1%	0%

The Board noted the results for the year, and with satisfactory scoring across all sections the Board identified no specific actions to follow from this most recent assessment. “The Board’s relationship with its executive team is clear and effective” met with a fully Exceeded Expectations score. “The relationship between the Board and its sponsor department is open, honest and constructive” partially met expectations. The Board discussed its relationship with the sponsor department and the Chairman has attended quarterly accountability meetings with Sponsor Branch in an effort to improve this relationship.

Committees of the Board

The Board has established and delegated powers to an Audit and Risk Assurance Committee and a Remuneration Committee. The Remuneration Committee is appointed and operated as a committee of the LMC Board. This committee meets periodically to discuss remuneration matters, as required by the LMC Board. It is chaired by the LMC Chairman and has two further appointed members from the LMC Board, currently Ms. Oonagh Chesney and Mr. Gerry Maguire.

Audit and Risk Assurance Committee (ARAC)

The Audit and Risk Assurance Committee supports the Board in their responsibilities for issues of risk, control and governance, by reviewing the comprehensiveness of assurances in meeting the Board and Accounting Officer's assurance needs, and reviewing the reliability and integrity of these assurances.

Mr Patrick McElroy has been Committee Chair since February 2014. A detail of attendance by Committee members is given above in Table 1. The Committee is attended also by the Northern Ireland Audit Office (NIAO) as external auditor, representatives of Internal Audit (DAERA IA), representatives of the sponsor body (DAERA), and senior members of LMC staff. It is established practice of the ARAC for members to meet with external audit and internal audit at the beginning of each meeting without LMC staff present.

The Audit and Risk Assurance Committee advises the Board and Accounting Officer on:

- The strategic processes for risk, control and governance and the Governance Statement.
- The accounting policies, the accounts, and the annual report of LMC, including the process for preparation of the accounts for audit, levels of error identified, and management's letter of representation to the external auditors.
- The planned activity and results of both internal and external audit.
- Adequacy of management response to issues identified by audit activity, including External Audit's report to those charged with governance.
- Assurances relating to the corporate governance requirements for LMC.
- Anti-fraud policies, whistle-blowing processes, and arrangements for special investigations.
- The Audit and Risk Assurance Committee also periodically reviews its own effectiveness and its chair reports the results of that review to the chair of the Commission.

The Audit and Risk Assurance Committee met formally 3 times during the 2017-18 financial year, and had one meeting by correspondence, with reporting to the Board after each

meeting. It also provides the Board and Accounting Officer with an Annual Statement, summarising its conclusions from the work it has done during the year. Highlights from the report include:

- The Chairman thanked Mrs Oonagh Chesney, Mr Jim Lennon and Mr Harry Sinclair for their contribution to the Committee over the last year.
- The focus of the Committee during the year was on assuring the integrity of financial reporting, the audit process, the systems of internal control and compliance with laws and regulations.
- A number of policies were reviewed and updated throughout the year and these were duly approved by the Board.
- The Final Internal Audit report for the 2016-17 year was issued on 01 April 2017. An overall opinion of “satisfactory” was recorded. This report was considered and approved by correspondence by members of the ARAC between 02 June 2017 and 08 June 2017 as recommended by Internal Audit.
- At the ARAC meeting in February 2018, the proposed Internal Audit Strategy for 2019-21 and the plan for 2017-18 was presented and were duly approved by correspondence.
- The C&AG certified the Annual Report and Accounts 2016-17 and these were approved at the February 2018 meeting.
- The ARAC Chairman had the annual meeting with Head of Sponsor Branch on 05 December 2017. A number of issues were raised on the timely reporting by LMC to DAERA and these issues were comprehensively addressed by the Commission in the following weeks.
- The Risk Register was reviewed at 6 monthly intervals and at the December 2017 and February 2018 meetings discussions were held about the on-going insurance claim and the residual risk was duly amended. The Risk Register identified significant risks in the areas of Brexit; the lack of an Executive; insurance claim, and; the continued difficulty posed by the timing of Board succession.
- In August 2016 the sponsor branch approved, on a trial basis, an increase of the delegated spending limit. This trial continues to operate and during the reporting year four business cases were considered and approved internally.

- The Information Asset Register was reviewed in December 2017 ahead of the introduction of GDPR.
- LMC applied to the Equality Commission for an exemption on the undertaking of an Equality Scheme and Disability Action Plan due to the significant changes in the organisation since the review in 2011. This exemption was granted in January 2018.
- The 2017-18 audit strategy for External Audit was presented and approved in the February 2018 meeting.
- A special meeting of ARAC was convened in March 2018 to consider a letter from DAERA which raised questions regarding the leasing of our temporary premises at Lissue Walk following the destruction of Lissue House in the fire of June 2016. The committee proposed a number of measures to the Accounting Officer for future reference and these were communicated to the Sponsor subsequent to that meeting.

In summation the Chairman states “The Committee is satisfied that the LMC as a whole is aware of the importance of risk management and that the Corporate Risk Register is an effective reflection of the risks facing the organisation. The finance management and accounting systems are in full compliance with the Government Financial Reporting Manual. The accounts and Annual Report have been subject to robust review by the Accounting Officer and the Board.”

Account of Corporate Governance

LMC aims to ensure that its governance arrangements follow best practice and “the 2013 Code” to the extent that its size and status allows. LMC as an NDPB complies with all relevant aspects of the 2013 Code.

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within LMC who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their Report to those charged with Governance.

The Internal Audit Branch of DAERA (IA) gave an overall “Satisfactory” assurance, in its 2017-18 annual report and opinion of the Livestock and Meat Commission for Northern Ireland, concluding that LMC’s internal control framework and risk management and governance processes are effective and that they enable achievement of the Commission’s objectives. IA noted the following processes were in place:

- Management have developed a number of policies to ensure that Human Resources objectives are achieved, these include a grievance policy, an equal opportunities policy, a conflict of interest policy and a whistleblowing policy.
- A recruitment process has been developed, all recruitments must be authorised by the LMC Chief Executive Officer and a recruitment checklist is completed to ensure that the process has been followed.
- LMC have standard Performance Appraisals and Personal Development Plans which are designed to improve performance and develop staff.
- LMC complete an annual business plan and budget, approved by the LMC Board and DAERA Departmental Board. Other key controls in this area included the use of a Centre of Procurement Excellence, an approved procurement policy, cheques signed by 2 authorised signatories, management checks and bank reconciliations.
- Management have introduced adequate controls to protect customer information. System capacity is monitored and data is regularly backed-up. Testing confirmed that these controls were operating effectively.

- We consider that Management have adequate arrangements to ensure they are prepared for the introduction of GDPR.

Recommendations to be addressed include:

- Cut-off date should be set for the completion of Staff Appraisals and PDP and a reconciliation exercise is carried out to ensure that these have been completed. Line managers should be reminded of the importance of completing Staff Appraisals in a timely manner.
- Where a manager is not available long term to complete a staff member's Staff Appraisal and Personal Development Plan, this is taken forward and completed by another manager.
- Management should ensure that they comply fully with the requirements of the Management Statement and Financial Memorandum and that required approvals are sought/obtained in a timely manner. Evidence of approvals should then be retained for management / audit trail purposes.
- Management should ensure that a risk assessment is completed of the Farm Quality Assurance Scheme Database and appropriate controls are introduced to mitigate risk in this area.
- Management should ensure that a properly resourced Data Protection Officer is appointed as soon as possible.

Conflicts of Interest

Conflict of Interest Declarations are undertaken on an annual basis and as and when required if circumstances change. Any disclosures of Board Members' interests are reported in the Annual Report. If a Conflict of Interest arises during a Board meeting, the Board member excuses themselves from the meeting for the duration of that agenda item. No Conflicts of Interest were reported in 2017-18.

Account of assurances and evidence

As Accounting Officer I am supported by monthly Board Meetings, by an Audit and Risk Assurance Committee and by the Senior Management Team, whose Stewardship Reports in regard to their particular functional responsibilities, I have relied upon. I am responsible to the Board for the proper conduct of affairs of the Commission and the development and implementation of policies determined by the Board. In meeting these responsibilities I am supported by a Corporate Governance Officer and a team of senior managers comprising the LMC Accountant, Economist and Industry Development Manager. Senior Management Team meetings are regularly held and will plan the follow up to any Board recommendations.

LMC operates management information and accounting systems which enable it to review, in a timely and effective manner, its financial and non-financial performance against the budgets and targets set out in its agreed strategic and business plans.

LMC informs DAERA of changes in external conditions, which make the achievement of objectives more or less difficult, or which may require a significant change to the budget or objectives as set out in the strategic or business plans.

LMC's performance in helping to deliver DAERA policies, including the achievement of key objectives, is reported to DAERA on a quarterly basis. In line with DAERA's Arms Length Bodies Sponsorship Manual quarterly Accountability meetings take place between the Director of DAERA's Sustainable Agri-Food Policy II Branch, the Chairman and the LMC Accounting Officer. Following these meetings signed Assurance Statements are forwarded by the LMC Accounting Officer to the Sponsor Branch for review and consideration of any follow-up action. The Minister or his/her nominated representative meets the Board formally as appropriate to discuss LMC's performance, its current and future activities, and any policy developments relevant to those activities. No Ministerial Directions were given to LMC during 2017-18.

LMC's performance against key targets is reported in the annual report and accounts. The annual report offers a review of LMC's performance in the financial year, together with comparable outturns for the previous year.

Internal Audit

The Internal Audit Branch Annual Report and Opinion 2017-18 on the LMC provided an overall satisfactory opinion. The opinion was derived from an annual review which included Financial Management, Human Resources, Information Management/IT Security and the implementation of previously agreed Internal Audit recommendations.

External Audit

The Comptroller and Auditor General (C&AG) audits and certifies LMC's annual accounts, after which LMC gains ministerial approval to lay them before the Northern Ireland Assembly. The C&AG certified the 2016-17 financial statements with an unqualified audit opinion, without modification.

Quality of information

The Board relies on financial and other reports prepared by LMC's management team. These reports while well-established are regularly reviewed and updated as required. The Board is content through its experience that the quality of these reports is high. As part of its self-assessment with regard to the Board being provided with information that is fit for purpose, all Board members recorded an indicator of performance where expectations were either met or exceeded. The work of DAERA's Internal Auditor provides further assurances to the Board as to the quality of these reports.

The Risk and Control Framework

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not

absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of LMC's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

Risk Management

Leadership is given to the risk management process via the Board, the Audit and Risk Assurance Committee and by the Senior Management Team. The Senior Management Team monitors and reviews the Risk Register, revising it to reflect evolving risk issues routinely. The Risk Register is reviewed at all meetings of the Audit and Risk Assurance Committee. Advice on best practice and technical issues associated with risk management is also provided through regular contact with DAERA.

LMC's risk management policy constitutes a key element of its internal control and corporate governance framework and covers its approach to risk management, roles and responsibilities, and key aspects of the risk management process. The approved LMC Risk Management Strategy is in place.

Risk Appetite

All activities that we undertake must be consistent with our organisational values and mission. We will not accept risks that materially impair the reputation of LMC or its sponsor department, Department of Agriculture, Environment and Rural Affairs. However, we value innovation and the implementation of new services which support the achievement of our goals. To this end LMC considers itself to be "open" to risk, that is, willing to consider all potential options and choose the one most likely to result in successful delivery, while also providing an acceptable level of reward and value for money.

Risk Register

The Corporate Risk Register was reviewed by the Audit and Risk Assurance Committee in January 2018 and was subsequently approved by the Board. Risk issues and their management are routinely discussed at each Senior Management Team meeting.

During 2017-18, the main and significant risk areas identified included:

- 1 Damage to LMC reputation and relationship with stakeholders.
- 2 External event or decisions which may have implications for approved LMC business and strategic plans.
- 3 Information loss and security.
- 4 Inadequate staff resources.
- 5 Absence of succession planning for membership of the Board.
- 6 Physical security of premises

Figure 1 LMC Risk Profile

Likelihood	High	6	2, 5		
	Medium		1, 4		
	Low			3	
		Low	Medium	High	
	Impact				
Key		= Low Risk,	= Medium Risk,		= High Risk

Information Risk

LMC recognises risks associated with data security and all staff have been instructed appropriately in regard to information held by them and accessible to them. All members of the Senior Management Team are fully aware of their responsibilities regarding information security. They have provided assurances to the Accounting Officer in their Stewardship Reports for 2017-18 that a culture of awareness exists among the staff in their departments regarding information security and dealing with information loss incidents.

Sound record management practices are in place that ensures the appropriate creation, maintenance and disposal of important information held in paper and electronic formats. Information and information systems as assets are carefully controlled with segmented access provided as required to undertake tasks. LMC undertook a review of these practices throughout the year in preparation for the introduction of the General Data Protection Regulation (GDPR) and Data Protection Act 2018.

There were no records of any data related incidents that would constitute protective security breaches, in the financial year 2017-18.

Significant Governance Issues

There are no significant governance issues to report in the 2017-18 Governance Statement.

Conclusion

As Accounting Officer, based on assurances provided to me by DAERA Internal Audit, the NIAO in their Report to Those Charged with Governance and stewardship reports provided to me by LMC's Senior Managers I consider that the overall system of risk management, internal control and governance provides satisfactory assurance to me in relation to the ability of LMC to effectively discharge its governance responsibilities.

Remuneration and Staff Report

Remuneration Report

The detail regarding Board Members' remuneration is set out in their contracts on appointment. This is subject to annual review in line with awards made by the Senior Salaries Review Body. The Department of Finance (DoF) instructs LMC when an annual review has been approved.

DoF operates a control on the review of employees' remuneration, and reviews are subject to a pay remit approval process.

A remuneration committee of the Board approves all remuneration reviews. LMC makes new appointments based on market rates as appropriate to the role.

Service Contracts

Appointments made by LMC are in accordance with approved policy and procedures which are continually updated to reflect best practice.

Unless otherwise stated, the employees covered by this report hold appointments which are open-ended. Policy relating to notice periods is contained in each individual's contract of employment.

Salary and pension entitlements (audited)

The following sections provide details of the remuneration and pension interests of the Board Members and senior managers of the Commission.

	2017-18				2016-17			
Name	Salary £'000	Benefits in kind (to nearest £100)	Pension benefits* (to nearest £1000)	Total £'000	Salary £'000	Benefits in kind (to nearest £100)	Pension Benefits (to nearest £1000)	Total £'000
Mr G McGivern Chairman	15-20	-	-	15-20	15-20	-	-	15-20
Mr P McElroy Board Member	5-10	-	-	5-10	5-10	-	-	5-10
Mrs O Chesney Board Member	5-10	-	-	5-10	5-10	-	-	5-10
Mr J Lennon Board Member	5-10	-	-	5-10	5-10	-	-	5-10
Mr H Sinclair Board Member	5-10	-	-	5-10	5-10	-	-	5-10
Mr G Maguire Board Member	5-10	-	-	5-10	5-10	-	-	5-10
Mr I Stevenson Chief Executive	55-60	-	16,000	70-75	55-60	-	23,000	80-85

**The value of pension benefits accrued during the year is calculated as (the real increase in pension multiplied by 20) plus (the real increase in any lump sum) less (the contributions made by the individual). The real increases exclude increases due to inflation and any increase or decrease due to the transfer of pension rights.*

Salary

'Salary' includes gross salary and any allowances to the extent that it is subject to UK taxation. This report is based on payments made by the Commission during the year and thus recorded in these accounts.

The remuneration of the highest paid employee in the financial year 2017-18 was £56,003 (2016-17: £55,449). This was 2.49 times (2016-17: 2.49 times) the median remuneration of the workforce, which was £22,509 (2016-17: £22,286). The range of staff remuneration was £14,625 to £56,003 (2016-17: £14,138 to £55,449).

Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Her Majesty's Revenue and Customs (HMRC) as a taxable emolument.

Northern Ireland Local Government Officers Superannuation Committee (NILGOSC) Pension (audited)

Name	Accrued pension at pension age as at 31/3/18 and related lump sum	Real increase in pension and related lump sum at pension age	CETV at 31/3/18	CETV at 31/3/17	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Mr I Stevenson Chief Executive	5-10 plus lump sum 0-5	0-5 plus lump sum of (0-2.5)	95	80	7	-

Pension benefits are detailed in Note 15 to the accounts.

No pension benefits accrue to Board Members.

Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable

from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures and the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the NILGOSC pension arrangements and for which the NILGOSC has received a transfer payment commensurate with the additional pension liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

Real increase in CETV

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period. However, the real increase calculation uses common actuarial factors at the start and end of the period so that it disregards the effect of any changes in factors and focuses only on the increase that is funded by the employer.

Staff Report

Human Resources

LMC has a small but highly competent and motivated staff team whose dedication and commitment to LMC contributes greatly to the reputation, profile and ongoing success of the organisation.

Without their day to day passion, expertise, innovation and motivation LMC could not provide the high level of professional service which is expected and required by the beef and sheep meat industry and by DAERA. As Chief Executive I am particularly grateful to, and would like to thank, all members of staff for their support and for their tremendous efforts in managing, maintaining, growing and administering the many and varied activities of LMC throughout the year. I would also like to thank the LMC Chairman and Board for their ongoing guidance and support to myself and the staff team at LMC.

Organisational Breakdown at 31 March 2018		
Level	Total Number	Male: Female Ratio
Directors/Board Members	6	5:1
Senior Managers (SCS level equivalent)	0	0:0
Employees (permanent)	17	5:12
Employees (temporary)	3	1:2

Staff Costs (audited)

Staff costs are captured in the table below:

	Permanently employed staff	Others	Commission members	2017-18 Total	2016-17 Total
	£	£	£	£	£
Wages and salaries	385,284	41,198	51,034	477,516	448,570
Social security costs	22,369	3,079	1,639	27,087	24,005
Pension costs – defined benefit plans	105,209	5,284	-	110,493	63,668
	512,862	49,561	52,673	615,096	536,243

Included in the above costs is £112,000 relating to employer pension costs as detailed in Note 15.

Staff Absence

The record of staff absence for the last two years is shown below:

	2017-18	2016-17
Percentage days lost through sickness absence	2.92%	0.27%
Cost of absence	£19,977	£7,002
Percentage of annual staff costs	3.2%	1.30%

LMC's absence level is well below current levels associated with the Northern Ireland economy of 5.6% ("Sickness Absence in the Northern Ireland Civil Service" NISRA October 2017).

Equality and Good Relations

LMC submitted its annual report to the Equality Commission in August 2017 to report on progress on implementing our responsibilities under:

- Section 75 of the NI Act 1998 and
- Section 49A of the Disability Discrimination Order (DDO) 2006.

In our progress report we reported on our implementation of the 13 action measures in our audit of inequalities action plan. In pursuance of its powers under Section 75, Schedule 9, 2, (2) of the Northern Ireland Act 1998 and Section 49B (5) of the Disability Discrimination Act 1995, the Equality Commission for Northern Ireland (ECNI) has granted an exemption to the Livestock and Meat Commission for Northern Ireland as regards the production of an equality scheme and disability action plan. This exemption was granted in January 2018.

Exemptions to the production of an equality scheme and disability action plan are only granted in exceptional circumstances. When making its decision the ECNI took into account the current limited scope of the LMC's functions and activities in Northern Ireland.

The exemption relates to the duty to produce an equality scheme and disability action plan and not to the Section 75 duties and Disability Duties respectively. Therefore, although the Livestock and Meat Commission for Northern Ireland may be exempt from producing an equality scheme, it will still be subject to the Section 75 duties and the duties of Section 49A of the Disability Discrimination Act 1995.

Staff Policies

LMC has a range of policies that are subject to regular review in line with best practice and statutory obligations. Staff are trained on any policies that are updated or introduced, and are given copies of each policy as part of their Staff Handbook. In line with our Equality commitments policies are subject to consultation if required. Training was undertaken on Section 49 and Section 75 requirements during the year.

Other Employee Matters

LMC undertook an Employee Engagement Survey and Strategy Day with all staff in October 2017. The outcomes of the survey were discussed as part of the Strategy Day and an Action Plan was developed with the help of staff to drive forward plans formed on the day. The delivery of a number of Actions has been already achieved within the reporting period.

The Health and Safety Policy was updated in response to an Internal Audit recommendation to include RIDDOR reporting requirements and all staff were trained in this updated policy. Health and Safety Essentials online training was completed by all staff.

LMC invests in training for its staff as part of continuous professional development of staff to develop their skills and to support the delivery of its objectives. Training needs analysis is undertaken in line with the completion of appraisals and a training plan is created from the requirements gathered.

In line with the MSFM, staff are subject to levels of remuneration and terms and conditions as approved by DAERA and DoF. Annual pay increases of staff are in accordance with the annual FD letter on Pay Remit process and guidance issued by DoF and have the prior approval of DAERA and the Minister for Finance.

Off Payroll Engagements

There were no off payroll engagements during the period 2017-18.

Consultancy

There was no expenditure on consultancy services during the period 2017-18.

Exit Packages and Compensation for Loss of Office (audited)

There were no exit packages or compensation for loss of office during the period 2017-18.

Assembly Accountability and Audit Report

Regularity of Expenditure (audited)

There were no special payments or losses made by LMC in 2017-18.

Fees and Charges (audited)

LMC carries out statutory services to assist the development of the livestock and livestock products industries as set out in the Livestock Marketing commission Act (Northern Ireland) 1967. LMC collects statutory levies from beef and sheep producers and slaughterers in Northern Ireland and in return provides a range of services to the industry. LMC also runs the NIBLFQA Scheme on behalf of the red meat industry. The funding arrangements for the scheme comprise of an annual membership fee for producers and a processor throughput fee for every bovine animal and sheep slaughtered.

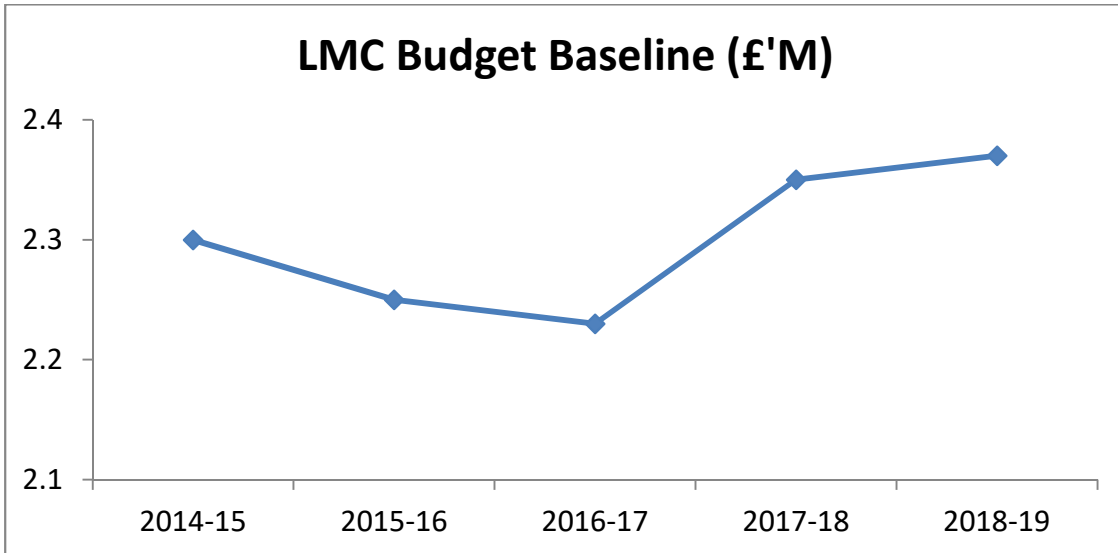
	Levy Funded Activities	NIBLFQAS
Income for year (excluding interest)	£1,106,756	£1,133,255
Expenditure for year (excluding notional costs)	£1,214,834	£1,159,284

Remote Contingent Liabilities (audited)

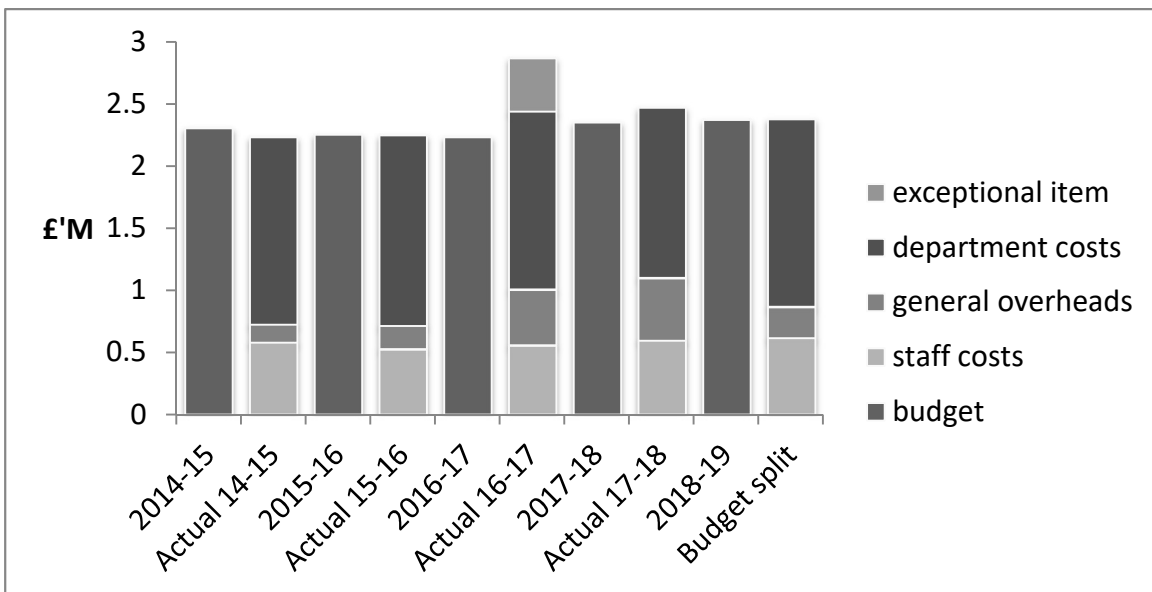
LMC has no remote contingent liabilities to report at 31 March 2018.

Long-term Expenditure Trends

The chart below captures the long-term summary expenditure profile of the LMC budget over the period 2014-15 to 2018-19.



The chart below shows the LMC budget split by major expense heading over the period 2014-15 to 2018-19.



Ian Stevenson

Ian Stevenson
Accounting Officer

25 June 2018
LIVESTOCK AND MEAT COMMISSION

THE CERTIFICATE AND REPORT OF THE COMPTROLLER AND AUDITOR GENERAL TO THE NORTHERN IRELAND ASSEMBLY

Opinion on financial statements

I certify that I have audited the financial statements of the Livestock and Meat Commission ('the Commission') for the year ended 31 March 2018 under the Livestock Marketing Commission Act (Northern Ireland) 1967. The financial statements comprise: the Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, Changes in Taxpayers' Equity; and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Accountability Report that is described in that report as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the Commission's affairs as at 31 March 2018 and of the Commission's net expenditure for the year then ended; and
- have been properly prepared in accordance with the Livestock Marketing Commission Act (Northern Ireland) 1967 and the Department of Agriculture, Environment and Rural Affairs directions issued thereunder.

Opinion on regularity

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been applied to the purposes intended by the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (UK) (ISAs) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of this certificate. My staff and I are independent of the Commission in accordance with the ethical requirements of the Financial Reporting Council's Revised Ethical Standard 2016, and have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my opinions.

Other Information

The Accounting Officer is responsible for the other information included in the annual report. The other information comprises the information included in the annual report other than the financial statements, the parts of the Accountability Report described in the report as having been audited, and my audit certificate and report. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon.

In connection with my audit of the financial statements, my responsibility is to read 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 audit or otherwise appears to be materially misstated. 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.

Opinion on other matters

In my opinion:

- the parts of the Accountability Report to be audited have been properly prepared in accordance with Department of Agriculture, Environment and Rural Affairs directions made under the Livestock Marketing Commission Act (Northern Ireland) 1967 ; and

- the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Responsibilities of the Accounting Officer for the financial statements

As explained more fully in the Statement of the Commission and Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to examine, certify and report on the financial statements in accordance with the Livestock Marketing Commission Act (Northern Ireland) 1967.

I am required to obtain evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of my 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 certificate.

In addition, I am required to obtain evidence sufficient to give reasonable assurance that the expenditure and income recorded in the financial statements have been applied to the purposes intended by Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion:

- adequate accounting records have not been kept; or
- the financial statements and the parts of the Accountability Report to be audited are not in agreement with the accounting records; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with the Department of Finance's guidance.

Report

I have no observations to make on these financial statements.



KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

28 June 2018

Financial Statements

Statement of Comprehensive Net Expenditure for the year ended 31 March 2018

This account summarises the expenditure and income generated and consumed on an accruals basis. It also includes other comprehensive income and expenditure, which include changes to the values of non-current assets and other financial instruments that cannot yet be recognised as income or expenditure.

	Note	2017-18 £	2016-17 £
Expenditure			
Staff and related costs	3	615,096	536,243
Depreciation (net of deferred grant release)	8	11,208	9,383
Other operating charges	3	1,923,105	1,914,073
Exceptional item	4	-	430,648
		2,549,409	2,890,347
Income - continuing operations			
Income from activities	2	2,342,422	2,281,079
Net (expenditure)	2	(206,987)	(609,268)
Finance income	5	8,810	10,820
Net (expenditure) before income tax		(198,177)	(598,448)
Income tax charge	6	1,762	2,963
Net (expenditure) after tax	7	(199,939)	(601,411)
Other comprehensive net (expenditure)/income			
Items that will not be reclassified to net operating costs:			
Actuarial gain/(loss) on retirement benefits obligations	15	189,000	(994,000)
		189,000	(994,000)
Total comprehensive net (expenditure) for the year ended 31 March 2018		(10,939)	(1,595,411)

The notes on pages 71 to 89 form part of these financial statements.

Statement of Financial Position as at 31 March 2018

This statement presents the financial position of LMC. It comprises three main components: assets owned or controlled; liabilities owed to other bodies; and equity, the remaining value of the entity.

	Note	2017-18 £	2016-17 £
Assets			
Non-current assets			
Property, plant and equipment	8	485,453	487,531
Total non-current assets		485,453	487,531
Current assets			
Trade and other receivables	9	558,346	364,396
Cash and cash equivalents	10	1,158,436	1,265,457
Short term bank deposits	11	1,500,000	1,731,297
Total current assets		3,216,782	3,361,150
Total assets		3,702,235	3,848,681
Current liabilities			
Trade and other payables	12	346,002	364,188
Income tax liabilities	6	1,762	2,963
Total current liabilities		347,764	367,151
Total assets less current liabilities		3,354,471	3,481,530
Non-current liabilities			
Pension liabilities	15	1,068,000	1,190,000
Total non-current liabilities		1,068,000	1,190,000
Total assets less total liabilities		2,286,471	2,291,530
Taxpayers' Equity and Other Reserves			
Income and expenditure account		2,116,249	2,095,279
Revaluation reserve		-	-
Designated reserves		170,222	196,251
		2,286,471	2,291,530

The financial statements on pages 67 to 89 were authorised for issue by the Board on and were signed on its behalf by:



Ian Stevenson
Accounting Officer
25 June 2018

The notes on pages 71 to 89 form part of these financial statements.

Statement of Cash Flows for the year ended 31 March 2018

The Statement of Cash Flows shows the changes in cash and cash equivalents of LMC during the reporting period. The statement shows how LMC generates and uses cash and cash equivalents by classifying cash flows as operating, investing and financing activities. The amount of net cash flows arising from operating activities is a key indicator of service costs and the extent to which these operations are funded by way of income from the recipients of services provided by LMC. Investing activities represent the extent to which cash inflows and outflows have been made for resources which are intended to contribute to LMC's future public service delivery.

	Note	2017-18 £	2016-17 £
Cash flows from operating activities			
Net (expenditure) before income tax		(198,177)	(598,448)
Adjustments for:			
Depreciation of property, plant and equipment		11,208	9,383
Movement in trade and other receivables		(193,950)	(42,873)
Actuarial gain/(loss) recognised		189,000	(994,000)
Movement in trade and other payables		(18,186)	(57,571)
Movement in pension liabilities		(122,000)	1,003,000
Notional charges		5,880	5,699
Loss on disposal of property, plant and equipment		-	430,648
Income tax paid		(2,963)	(4,368)
Net cash used in operating activities		(329,188)	(248,530)
Cash flows from investing activities			
Purchases of property, plant and equipment		(9,130)	(46,914)
Proceeds from sale of property, plant and equipment		-	-
Movement in short-term deposits		231,297	(1,731,297)
Net cash used in investing activities		222,167	(1,778,211)
Net (decrease) in cash and cash equivalents in the year		(107,021)	(2,026,741)
Cash and cash equivalents at the beginning of the year	10	1,265,457	3,292,198
Cash and cash equivalents at the end of the year	10	1,158,436	1,265,457

The notes on pages 71 to 89 form part of these financial statements.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2018

This statement shows the movement in the year on the different reserves held by LMC. The Designated Reserves represent the total assets less liabilities held for specific activities. The Revaluation Reserve reflects the change in asset values that have not been recognised as income or expenditure. The Income and Expenditure Account represents the total assets less liabilities of LMC, to the extent that the total is not represented by other reserves and financing items.

	Designated reserves	Total	Revaluation	Income and
	Farm quality assurance scheme	designated reserves	Reserve	expenditure account
	£	£	£	£
Balance at 1 April 2016	190,094	190,094	1,137	3,691,148
Net expenditure after tax			(1,137)	(601,411)
Other notional charges				5,699
Other comprehensive net expenditure				(994,000)
Transfer from unrealised revaluation reserve to income and expenditure account				-
Transferred to other designated reserves	6,157	6,157	-	(6,157)
Balance at 31 March 2017	196,251	196,251	-	2,095,279
Net expenditure after tax				(199,939)
Other notional charges				5,880
Other comprehensive net income				189,000
Transfer from unrealised revaluation reserve to income and expenditure account				-
Transferred from other designated reserves	(26,029)	(26,029)	-	26,029
Balance at 31 March 2018	170,222	170,222	-	2,116,249

The notes on pages 71 to 89 form part of these financial statements.

Notes to the financial statements for the year ended 31 March 2018

1 Accounting policies, financial risk management and critical accounting estimates/judgements

General information

The entity's principal activities during the year are detailed on pages 14 to 33. The entity is domiciled in Northern Ireland. The financial statements are presented in Sterling. All of the entity's assets and liabilities are denominated in Sterling.

Statement of accounting policies

These financial statements have been prepared in accordance with the 2017-18 Government Financial Reporting Manual (FReM) issued by DoF Northern Ireland. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the entity for the purpose of giving a true and fair view has been selected. The particular policies adopted by the Commission for the reportable activity are described below. They have been applied consistently in dealing with items that are considered material to the accounts. These accounts have been prepared on the going concern basis, under the historical cost convention modified to account for the revaluation of assets and liabilities to fair value as determined by the relevant accounting standards. Since the building at Lissue House was destroyed by fire in June 2016, the Commission has moved to new premises in Lisburn and the Board believes that the going concern basis continues to be appropriate.

Notes to the financial statements for the year ended 31 March 2018

1 Accounting policies, financial risk management and critical accounting estimates/judgements (continued)

Income

Income comprises the fair value of the consideration received or receivable in respect of levies, NIBLFQAS and Rural Payment Agency (RPA) fees. Income is shown net of value-added tax. Income is recognised over the period for which services are provided, using a straight line basis over the term of the service. The entity recognises income when the amount of income can be reliably measured and it is probable that future economic benefits will flow to the entity.

Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Board.

Property, plant and equipment

In line with the LMC policy to have quinquennial valuations of land and buildings, the freehold property was valued externally on 31 March 2015 at existing use value by Land and Property Services. In intervening years these valuations are subject to annual indexation using relative price indices. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment, with the exception of freehold property, is stated at cost less depreciation and accumulated impairment losses due to the short life and low value of the individual assets. The initial cost of an asset comprises cost plus any costs directly attributable to bringing the asset into operation and an estimate of any decommissioning costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated

Notes to the financial statements for the year ended 31 March 2018

1 Accounting policies, financial risk management and critical accounting estimates/judgements (continued)

with the item will flow to the entity and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the Statement of Comprehensive Net Expenditure during the financial period in which they are incurred. The charge for depreciation is calculated so as to write off the depreciable amount of assets over their estimated useful economic lives on a straight line basis. The lives of each major class of depreciable asset are as follows:

Land	-	NIL
Buildings	-	N/A
Office furniture, fixtures and fittings, computers	-	5 years

The assets' residual values and useful economic lives are reviewed, and adjusted if appropriate, at each reporting date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. An asset is derecognised upon disposal or when no future economic benefit is expected to arise from the asset.

Impairment of non-financial assets

The entity assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the entity makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Notes to the financial statements for the year ended 31 March 2018

1 Accounting policies, financial risk management and critical accounting estimates/judgements (continued)

Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

Loans and receivables (financial instruments)

(a) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of the receivables.

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade and other receivable are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'operating costs'. When a trade and other receivable are uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against 'other operating costs' in the income and expenditure account.

(b) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less.

Deposits with banks that have original maturities of greater than three months are classified as short-term bank deposits.

Notes to the financial statements for the year ended 31 March 2018

1 Accounting policies, financial risk management and critical accounting estimates/judgements (continued)

Other financial liabilities at amortised costs (financial instruments)

(c) Trade and other payables

Trade and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the reporting date. Income tax is charged or credited directly to reserves if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income and expenditure account.

Pension liabilities

The entity provides a defined benefit pension scheme for employees through NILGOSC. The assets of the scheme are held separately from those of the entity. The liability recognised in the balance sheet in respect of defined benefit pension plans is the present value of the defined benefit obligation at the balance sheet date less the fair value of plan assets, together with adjustments for unrecognised past-service costs. The defined benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the defined benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms to maturity approximating to the terms of the related pension liability.

Notes to the financial statements for the year ended 31 March 2018

1 Accounting policies, financial risk management and critical accounting estimates/judgements (continued)

Actuarial gains and losses arising from experience adjustments and changes in actuarial assumptions are charged or credited to reserves in the Statement of Reserves in the period in which they arise.

Past-service costs are recognised immediately in income, unless the changes to the pension plan are conditional on the employees remaining in service for a specified period of time (the vesting period). In this case, the past-service costs are amortised on a straight-line basis over the vesting period.

Contingent Liabilities

Under IAS 37, LMC discloses contingent liabilities where there is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of LMC; or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation; or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

Designated reserves

Income and expenditure arising in respect of designated purposes is credited or debited to the Statement of Comprehensive Net Expenditure on recognition and subsequently transferred from the income and expenditure account reserve to the designated reserve.

Notes to the financial statements for the year ended 31 March 2018

1 Accounting policies, financial risk management and critical accounting estimates/judgements (continued)

Financial risk factors

(a) Market risk

The entity has limited exposure to interest rate risk as it has monies on short-term deposit and no borrowings. It does not have any exchange rate risk as all of its transactions are denominated in Sterling.

(b) Credit risk

The entity has limited exposure to credit risk. The entity's trade and other receivables are not impaired or past due and management does not expect any losses from non-performance by its customers.

(c) Liquidity risk

The entity is financed primarily by levy and commercial income. The extent to which levies may be raised and retained for use in operations is set out in statute. The entity is not exposed to significant liquidity risks.

Capital risk management

The entity has no obligation to increase reserves as the entity is a public sector body.

Fair value estimation

None of the entity's financial instruments are traded in active markets. Accordingly, the fair value of the entity's financial instruments is determined by discounting future cash flows using a suitable discount rate.

Critical accounting estimates and judgements

There are no critical accounting estimates and judgements.

Notes to the financial statements for the year ended 31 March 2018

2 Income

Income from activities	Total 2017-18	Total 2016-17
	£	£
Levy and other income	1,209,167	1,154,662
NIBLFQAS income	1,133,255	1,126,417
Total	2,342,422	2,281,079

3 Expenditure

	2017-18	2016-17
	£	£
Staff Costs*		
Wages and salaries	477,516	448,570
Social security costs	27,087	24,005
Pension costs	110,493	63,668
	615,096	536,243
Other operating charges		
Information services	33,574	38,696
Market development and advertising	1,334,166	1,391,918
Administration costs:		
Actuarial costs of pension scheme	29,000	5,000
Office expenses	508,173	455,152
Aggregate travelling and subsistence	18,192	23,307
	1,923,105	1,914,073
Office expenses include:	2017-18	2016-17
	£	£
Notional charges	5,880	5,699
Auditors' remuneration - for external audit	10,000	10,000

* Further analysis of staff costs is located in the Staff Report on page 60

4 Exceptional Item

On the 9 June 2016 the Commission's premises at 31 Ballinderry Road, known as Lissue House, was destroyed by fire. The total value of the building and its contents in the financial statements was held at £430,648. This loss on these fixed assets was written off in the

Notes to the financial statements for the year ended 31 March 2018

4 Exceptional Item (continued)

previous year. As described in Note 16, negotiations regarding the insurance claim are ongoing and no income has been recognised in the financial statements.

5 Finance income and costs

	2017-18 £	2016-17 £
Interest income:		
Short-term bank deposits	8,810	10,820
Finance costs - net	8,810	10,820

Short-term bank deposits

Short-term bank deposits earned interest at a rate of 0.58% over the financial year.

6 Income tax charge

	2017-18 £	2016-17 £
Current income tax:		
Current UK corporation tax at 20% (2017: 20%)	1,762	2,963
Income tax charge	1,762	2,963

The income tax charge in the income and expenditure account for the year differs from the small companies' rate of corporation tax in the UK of 20% (2017: 20%). The differences are reconciled below:

	2017-18 £	2016-17 £
(Deficit) before income tax	(198,177)	(598,448)
Tax calculated at the UK small companies' rate of corporation tax of 20% (2017: 20%)	(39,635)	(119,690)
Effect of:		
Deficit not taxable	41,397	122,653
Income tax charge	1,762	2,963

The entity is subject to income tax on any surplus on price reporting activities and on its rental and interest income.

Notes to the financial statements for the year ended 31 March 2018

7 Segment information

Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions. The Board considers the operations from both a geographic and operational perspective. The entity has one geographical segment, Northern Ireland. The entity has two reportable operational segments, levy funded activities and NIBLFQAS.

The segment information provided to the Board for the reportable segments for the year ended 31 March 2018 is as follows:

	Levy Funded Activities	NIBLFQAS	Other	Total
	£	£	£	£
Income from external parties	1,106,756	1,133,255	102,411	2,342,422
Interest Received	8,810	-	-	8,810
Expenditure (excluding notional costs)	1,214,834	1,159,284	102,411	2,476,529
Operating deficit before tax	(99,268)	(26,029)	-	(125,297)
Income tax expense	(1,762)	-	-	(1,762)
Deficit before notional costs and after tax	(101,030)	(26,029)	-	(127,059)
Adjustments in respect of notional costs:				
Internal audit				(5,880)
Actuarial costs and notional charges of pension scheme				(67,000)
Total deficit reported for year				(199,939)
Total assets less liabilities	2,116,249	170,222	-	2,286,471
Depreciation	6,708	2,500	2,000	11,208

The entity is domiciled in Northern Ireland and all income is derived from operations in Northern Ireland. All of the entity's income is derived from external parties and no one external party accounts for 10% or more of the entity's total income.

Notes to the financial statements for the year ended 31 March 2018

8 Property, plant and equipment

	Freehold Land £	Property Buildings £	Exhibition equipment, fixtures, fittings and office furniture £	Computers £	Totals £
Cost or valuation					
At 1 April 2016	450,000	400,000	252,784	300,531	1,403,315
Additions	-	-	16,691	30,223	46,914
Disposals	-	-	-	-	-
Written-Off	-	400,000	252,784	300,531	953,315
At 31 March 2017	450,000	-	16,691	30,223	496,914
Depreciation					
At 1 April 2016	-	11,765	252,784	256,976	521,525
Provided during the year	-	-	3,338	6,045	9,383
Eliminated in respect of write-off	-	11,765	252,784	256,976	521,525
Indexation	-	-	-	-	-
At 31 March 2017	-	-	3,338	6,045	9,383
Net book amount					
At 31 March 2017	450,000	-	13,353	24,178	487,531
At 31 March 2016	450,000	388,235	-	43,555	881,790
Cost or valuation					
At 1 April 2017	450,000	-	16,691	30,223	496,914
Additions	-	-	4,135	4,995	9,130
Disposals	-	-	-	-	-
Indexation	-	-	-	-	-
At 31 March 2018	450,000	-	20,826	35,218	506,044
Depreciation					
At 1 April 2017	-	-	3,338	6,045	9,383
Provided during the year	-	-	4,165	7,043	11,208
Eliminated in respect of disposals	-	-	-	-	-
Indexation	-	-	-	-	-
At 31 March 2018	-	-	7,503	13,088	20,591
Net book amount					
At 31 March 2018	450,000	-	13,323	22,130	485,453
At 31 March 2017	450,000	-	13,353	24,178	487,531

Notes to the financial statements for the year ended 31 March 2018

8 Property, plant and equipment (continued)

Depreciation expense of £11,208 (2017: £9,383) has been fully charged to expenditure.

The entity's freehold land was revalued externally on 31 March 2015 by Land and Property Services. This quinquennial valuation was made on the basis of existing use value and in intervening years this would normally be subject to annual indexation using relative price indices. No indexation was applied in 2017-18 due to the destruction of the premises and its contents in June 2016.

9 Trade and other receivables

	2017-18	2016-17
	£	£
Levies (statutory)	183,200	170,733
Farm quality assurance scheme receivables	124,592	100,829
Prepayments and accrued income	172,412	92,834
Trade debtors	78,142	-
	558,346	364,396

None of the entity's trade and other receivables are impaired or past due. The entity has no history of default in respect of its trade and other receivables. The maximum exposure to credit risk at the reporting date is the carrying value of each class of receivable mentioned above. The fair value of the entity's trade and other receivables is not materially different to their carrying values.

10 Cash and cash equivalents

	2017-18	2016-17
	£	£
Commercial banks and cash on hand	1,158,436	1,265,457

11 Short term bank deposits

	2017-18	2016-17
	£	£
Short term bank deposits	1,500,000	1,731,297

Notes to the financial statements for the year ended 31 March 2018

12 Trade and other payables

	2017-18	2016-17
	£	£
Accruals	234,185	293,730
Trade creditors	87,054	9,962
Other taxation and social security	24,763	60,496
	346,002	364,188

13 Related party transactions

The Department of Agriculture, Environment and Rural Affairs (DAERA) is regarded as a related party. During the year, LMC has had various material transactions with DAERA.

LMC is a one-eighth owner of Northern Ireland Food Chain Certification (NIFCC). During the year LMC provided accounting, administration and human resources services to NIFCC valued at £102,411 (2017: £89,342). NIFCC provided LMC with inspection services and marketing information during the year valued at £825,502 (2017: £833,428). The amount due to NIFCC at 31 March 2018 was £71,529 (2017: £91,680). NIFCC is operated as a not-for-profit organisation and therefore no NIFCC reserves are recorded in LMC's financial statements.

Notes to the financial statements for the year ended 31 March 2018

13 Related party transactions (continued)

Details of organisations with which LMC Board Members were associated during the year are listed below:

Mr G McGivern	Director of Banbridge District Enterprises Ltd Non-Executive Director of Northern Health and Social Care Trust
Mr P McElroy	Company Secretary for Bourlion Limited
Mrs O Chesney	Company Secretary for Fane Valley Co-op Society Ltd and its group subsidiary companies
Mr J Lennon	Chair of the Blood Transfusion Service Member of Derrynoose Farming Community Group Head of Corporate Service for Middletown Centre for Autism
Mr H Sinclair	Board Member of HSENI Member of Farm Safety Partnership
Mr G Maguire	Managing Director of Linden Foods Director of Slaney Foods

Notes to the financial statements for the year ended 31 March 2018

13 Related party transactions (continued)

Other than the transactions detailed above, no Board member, key manager or other related party has undertaken any material transactions with the Commission during the year.

14 Financial instruments

The entity's financial instruments are classified as follows:

Assets and liabilities	Category of financial instrument
Trade and other receivables	Loans and other receivables
Cash and cash equivalents	Loans and other receivables
Short-term bank deposits	Loans and other receivables
Trade and other payables	Other financial liabilities at amortised cost

15 Pension liabilities

Pension benefits are provided through the Northern Ireland Local Government Officers' Superannuation Committee Scheme (the NILGOSC Scheme). This scheme is a 'multi-employer' pension scheme with over one hundred and ten thousand members; LMC accounts for 0.1% of the membership. It provides a defined benefit scheme for eligible employees and other members of the scheme. This is a tax approved scheme which provides benefits based on a career average pensionable pay, at a normal retirement age of 65. Each year a member is in the main scheme, 1/49th of their pensionable pay is added to their pension account plus a revaluation amount so that their pension keeps up with the cost of living. Employees pay contributions of between 5.5% and 10.5% of pensionable earnings depending on the pay band their pensionable pay falls into. On death of a member, survivors' pensions may be paid to spouses, civil partners, nominated co-habiting partners and eligible children. In addition, on death in service, there is a lump sum payment due to the employee's estate of three years' pensionable pay. To finance these benefits, assets are accumulated in the scheme and are held separately from the assets of the employers.

A full actuarial valuation of the scheme was carried out as at 31 March 2016 which indicated

Notes to the financial statements for the year ended 31 March 2018

15 Pension liabilities (continued)

that the scheme remained in deficit and if LMC chose to exit the scheme there would be a funding shortfall due from LMC of £3.4M. However, the majority of employers, including LMC, participate in the grouped employers' contribution rates with individual deficit recovery contributions. The employer contribution rates for LMC set by the Actuary for the next year will be 19% of payroll and a deficit recovery contribution of £4,800.

An actuarial valuation of the scheme using the projected unit basis was carried out at 31 March 2018 by Aon Hewitt Ltd. The principal assumptions used were as follows:

	2018	2017	2016
	%	%	%
Future salary increases	3.6	3.5	3.3
Discount rate	2.6	2.5	3.4
Inflation rate	2.1	2.0	1.8
Future pension increases	2.1	2.0	1.8

The mortality assumptions used were as follows:

	2018	2017	2016
	Years	Years	Years
Longevity at age 65 for current pensioners			
- Men	23.3	23.2	22.3
- Women	25.9	25.8	24.8
Longevity at age 65 for future pensioners			
- Men	25.5	25.4	24.5
- Women	28.2	28.1	27.2

The Commission's share of the assets in the scheme was:

	Value at 2018	Value at 2017	Value at 2016
	£	£	£
Equity	7,750,000	7,803,000	6,488,000
Bonds	1,346,000	1,204,000	1,092,000
Property	1,085,000	1,100,000	1,191,000
Cash	488,000	272,000	208,000
Other	185,000	94,000	45,000
Total market value of assets	10,854,000	10,473,000	9,024,000
Present value of scheme obligations	11,922,000	11,663,000	9,211,000
Deficit in scheme	(1,068,000)	(1,190,000)	(187,000)

Notes to the financial statements for the year ended 31 March 2018

15 Pension liabilities (continued)

Reconciliation of fair value of the Commission's share of scheme assets

	2018	2017
	£	£
At 1 April	10,473,000	9,024,000
Interest Income on scheme assets	260,000	304,000
Contributions by members	23,000	20,000
Contributions by employer	74,000	60,000
Re-measurement of gains/(losses) on assets	274,000	1,312,000
Benefits paid	(250,000)	(247,000)
At 31 March	10,854,000	10,473,000

Reconciliation of present value of the Commission's share of scheme liabilities

	2018	2017
	£	£
At 1 April	11,663,000	9,211,000
Current service cost	112,000	64,000
Interest cost	289,000	309,000
Contributions by members	23,000	20,000
Actuarial losses	85,000	2,306,000
Past Service Costs	-	-
Losses on Curtailments	-	-
Benefits paid	(250,000)	(247,000)
At 31 March	11,922,000	11,663,000

Analysis of amount recognised in the income and expenditure account

	2018	2017
	£	£
Current service cost	112,000	64,000
Interest cost	289,000	309,000
Expected return on pension scheme assets	(260,000)	(304,000)
Past Service Costs	-	-
Losses on Curtailments	-	-
Total operating charge	141,000	69,000

Notes to the financial statements for the year ended 31 March 2018

15 Pension liabilities (continued)

Analysis of amount recognised in the statement of recognised income and expenses

	2018	2017
	£	£
Actual return less expected return on pensions scheme assets	274,000	1,312,000
Changes in assumptions underlying the present value of the scheme liabilities	(85,000)	(2,306,000)
Actuarial gain/(loss) recognised in the statement of recognised income and expenses	189,000	(994,000)
Cumulative actuarial losses recognised in the statement of recognised income and expenses	(1,082,000)	(1,271,000)

History of experience gains and losses

	2018	2017	2016	2015	2014
	£	£	£	£	£
Defined benefit obligation	(11,922,000)	(11,663,000)	(9,211,000)	(9,667,000)	(8,731,000)
Plan assets	10,854,000	10,473,000	9,024,000	9,030,000	8,136,000
Deficit	(1,068,000)	(1,190,000)	(187,000)	(637,000)	(595,000)
Experience adjustments on plan assets	274,000	1,312,000	(31,000)	709,000	123,000
Experience adjustments on plan liabilities	96,000	(298,000)	147,000	89,000	250,000
Total amount recognised in the statement of recognised income and expenses	189,000	(994,000)	472,000	(94,000)	924,000

Analysis of projected amount to be charged to operating profit for the year to 31 March 2018

	£	% of pay
Projected Current Service Cost	116,000	30.7
Net Interest on the Net Defined Benefit Liability (Asset)	27,000	7.1
Past Service Cost	-	-
Losses/(Gains) on Curtailments and Settlements	-	-
Total	143,000	37.8

Notes to the financial statements for the year ended 31 March 2018

16 Contingent Asset

The Commission is currently in arbitration with its insurance providers regarding the fire at Lissue House in June 2016 and subsequent insurance claim. This process will be concluded by June 2018 and a decision by the arbitrator is expected by the end of July 2018; the Board is of the opinion that there will be a satisfactory outcome.

No income has been recognised in relation to the insurance claim in the financial statements.

Date of authorisation for issue

The Accounting Officer authorised the issue of these financial statements on 25 June 2018.