

**Livestock and Meat Commission for Northern Ireland**

**Annual Report and Accounts  
for the year ended 31 March 2015**

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

*3 July 2015*



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## **Chairman's Statement/Foreword**

I am pleased to present the forty eighth Annual Report of the Livestock and Meat Commission for Northern Ireland (LMC). This report covers the period 1 April 2014 to 31 March 2015.

I am delighted to report that 2014 was another extremely busy year for LMC and many important initiatives were taken forward for the benefit of our funding and wider stakeholders. Highlights of our activities throughout the year are outlined later in this annual report and I would encourage you to take time to read about our work and provide us with any constructive feedback you may have that we can consider when developing our future strategy and business programmes.

The Agri-Food Strategy Board has set out a very clear and ambitious growth strategy for the Northern Ireland food and drink sector in the coming years and the Northern Ireland Executive response to Going for Growth published in October 2014 provides a very positive backdrop on which to progress a wide range of the recommendations. A key element in assisting industry to realise its growth potential is making sure that access to the best paying markets is secured and maintained and that our locally produced food and drink attracts the best prices available in those markets. As the lead organization actively providing agri-food marketing and promotion services to the local beef and sheep meat sector LMC has good working relationships with industry, government and sectoral organisations in Northern Ireland, Great Britain, ROI and farther afield and we look forward to being an integral part of the Agri-Food Strategy Board and wider stakeholders' ambition for strategic promotion and marketing of the industry in support of its growth plans. During the year we engaged fully with the DETI led review of Agri-Food marketing and promotion and we welcomed the announcement by Enterprise, Trade and Investment Minister Arlene Foster in March 2015 that a new industry-led

agri-food marketing body for Northern Ireland, similar to the structure of Scotland Food and Drink, is to be established.

I am very much aware that it has been a challenging year for producers and processors alike. The fallout from the horsemeat scandal in 2013 resulted in a much more rigorous focus by processors on the alignment of specification of livestock at point of slaughter with the specifications of their best paying customers in markets in the UK and farther afield. During the summer of 2014 LMC worked tirelessly in its role as an honest broker to resolve supply chain disquiet that had arisen between beef farmers, markets and processors in Northern Ireland around the number of farm residences of cattle at point of slaughter. Whilst a general agreement between all parties on the issue was not possible, a constructive way forward was found by LMC to break the deadlock and we are hopeful that all stakeholders will see the value in working more closely together going forward in the pursuit of a sustainable and profitable industry at all levels of the supply chain.

The LMC Board is very much committed to continuing the successful promotion of Northern Ireland Farm Quality Assured beef and lamb. Independent research has confirmed that the advertising campaign has been very effective to date and we have plans to continue with the campaign during 2015/16. It is also encouraging to witness continued growth in membership of the FQAS scheme which we will continue to provide and promote on behalf of the beef and sheep meat industry.

As I leave my role as Chairman of LMC after a period of more than six years I know that I am leaving it in a much stronger position and better able to face the challenges that lie ahead.

During the last six years, LMC went through a period of considerable change and rejuvenation. It was difficult, challenging and rewarding. We had to change in order to

meet the needs of the sector both current and in the future. The senior management structure and personnel were changed, staff costs were reduced by over 50% and significant pension cost savings were made resulting in more funds being available for the direct marketing of the sector. Another major development is that there is now a formula / process in place to allow the Board access to the accumulated levy funds on our statement of financial position.

Ownership of Lissie House was also clarified and now the LMC Board are full owners of this fine building which gives the new incoming Board options as to the future use of the building.

I would like to thank sincerely the various Board members who served with me during my term of office. Without their support the achievements we made would not have been possible. Your knowledge and expertise was vital to the running of LMC and made my role less difficult. It was a privilege to have worked with you and thank you all for your hard work and dedication.

I also want to thank the staff in LMC. They went through this difficult period with us and took on board the changes we needed to make. The staff are a very committed group of people and I am sure they will continue to perform at the highest standards going forward.

I would like to thank the current Minister, Michelle O'Neill, and her predecessor, Michelle Gildernew for their support over my term, and all the staff within the Department for their assistance.

I also want to thank you, the stakeholders who fund LMC, for your support and guidance.



Finally I would like to wish the incoming Chairman and Board every success for the future.

A handwritten signature in blue ink that reads "Pat O'Rourke". The signature is written in a cursive style with a large initial 'P' and 'O'.

Patrick O'Rourke  
Chairman

19 June 2015

## **Strategic Report**

### **Introduction**

The Commission presents its Annual Report and Accounts for the 2014/15 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 (FReM) and under an Accounts Direction given by the Department of Agriculture and Rural Development (DARD) 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, 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 and Rural Development (DARD). 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 DARD 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 & inform the marketing and development of the Northern Ireland 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 2014/15. 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 2014-15 Business Plan). Under each of the business objectives detailed business activities with individual

targets were undertaken. Progress against the business objectives was monitored throughout 2014-15, 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 2014/15 LMC, in line with our Mission Statement, 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 delivery of DARD's goals in its 2012-2020 Strategic Plan. Details of LMC's performance against the specific targets, as outlined in our Business Plan at the start of 2014/15, are reported later in this strategic 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.

The Northern Ireland red meat industry continued to operate within a very complex and challenging commercial environment during the financial year. It is in this constantly evolving environment that LMC provides its services to stakeholders and DARD. Market volatility throughout 2014 led to disquiet within the farming sector about local cattle and sheep prices, particularly in the first half of the year. The beef trade across the British Isles was under pressure early in the year with increased cattle supplies and weaker demand, but the trade in GB started to recover in mid-July, with prices rising steadily into the autumn. At the end of 2014, exactly one year on from the publication of LMC's Price Differential Report, NI farmgate cattle prices were the second highest in the European Union and almost on a par with GB levels. By recent standards, this was new territory for the NI industry, and probably reflects the increased emphasis placed

on the UK identity post-horsemeat, a more responsive live export trade and relatively tight supplies in Northern Ireland.

Entering 2015, the outlook was one of general positivity. However, from mid-January to the end of the financial year deadweight cattle prices did come under downward pressure. A weak Euro relative to sterling made exports of beef and lamb by the NI processors to the Euro zone very challenging economically and the price competitiveness of meat from Euro zone exporters made imports very attractive to meat buyers in the UK food service, butchery and retail sectors. LMC intensified its beef and lamb advertising campaign in March 2015 in the run up to Easter to encourage local consumers to consider cooking with NIFQAS beef and lamb when making their meat purchases. At the end of the financial year local cattle prices were steady and the indications from market analysts are that tight supplies across the British Isles should generate upward pressure on prices in the second half of 2015.

A significant concern that was emerging at financial year end was the downward pressure in market prices for sheep. A combination of the weak Euro, weaker consumer demand for lamb, new EU Country of Origin Labelling regulations for sheep meat which were coming in to effect on 1 April 2015 and a significant tail end of heavy and poorer quality hoggets were all combining to create a perfect storm in the sheep sector. Industry, government and politicians in both NI and ROI were all working hard to try and find a resolution to the labelling problems before the main lamb crop would start to appear on the market.

In June 2014, Agriculture Minister Michelle O'Neill announced the agreement that had been reached by the Executive on implementation of the major aspects of CAP Reform in Northern Ireland. From 2015, the basic payment and the greening payment will move to a flat rate payment per hectare over a seven-year transition period within a single region model. In 2013, the Single Farm Payment equated to 87% of Total Income from Farming (TIFF) in Northern Ireland and is a vital income support to local beef and sheep

meat production. By the time of full convergence to flat rate in 2021, a significant redistribution of direct payments between farm types will have taken place with over 20% less support than current levels going to cattle and sheep lowland & Disadvantaged Area and cattle Severely Disadvantaged Area farmers. The impact of direct payment redistribution on beef and sheep meat production levels will have to be carefully monitored by policy makers as the reforms are implemented and LMC welcomes that the Agriculture Minister has agreed to keep the option for voluntary coupled support under review.

During the summer of 2014, LMC played an active role in facilitating a successful conclusion to significant antagonism, which had arisen in the local beef supply chain regarding price penalties for cattle, which fell outside specification for the number of farm residences. It is LMC's view that every part of the supply chain from those providing inputs to the production of livestock, to farmers, livestock markets, slaughter plants, secondary processors, retail and food service outlets must strive to work more closely together to ensure that all essential components of the supply chain are focussed on the same objectives including the need to be sustainable and profitable. We have good working relationships and arrangements already in place between government, industry, research and knowledge transfer specialists in Northern Ireland and we should try to keep building on these efforts to drive efficiency and continuous improvement at all levels. LMC will continue to play an important honest broker role within the beef and lamb supply chain through facilitating dialogue and providing expert analysis and communication.

The publication in October 2014 of the Northern Ireland Executive's Response to Going for Growth was welcomed by LMC and we are playing an active role in assisting the delivery of the agreed actions for the benefit of the beef and sheep meat sectors and wider agri-food industry. Targets to grow beef and sheep meat sector turnover to £1.6bn by 2020 and employment in the sector to 5,000 by 2020 are ambitious but achievable with the right focus, co-operation and support of industry and government.

LMC actively engaged during 2014 with the DETI led review of Agri-food Marketing and Promotion in Northern Ireland. LMC highlighted to the review its willingness to engage and collaborate with other sectors and organisations to deliver marketing and promotion outcomes that improve the positioning of Northern Ireland agri-food in domestic, external and export markets. As the lead organisation for the marketing and promotion of beef and lamb in Northern Ireland, and as a key provider of building blocks for the marketing and promotion of the sector both inside and outside Northern Ireland, LMC is well placed to play a lead role in the outworking of the next steps post review including the creation of an industry-led commercially focussed agri-food marketing body.

Continued efforts to open up many currently inaccessible (and potentially lucrative) third country export markets (particularly in North America and Asia) to UK beef and lamb, offals and other fifth quarter products will help to broaden industry options to maximise returns from the whole animal. LMC has continued with its membership and active participation in the work of the UK Export Certification Partnership during the year and good progress has been made on trade negotiations for beef and lamb market access to important priority markets such as the USA, Japan, China, Philippines, Hong Kong, South Africa and Canada. Whilst these negotiations can take a long time to yield success LMC will continue to prioritise its work in this area and will work with the proposed new agri-food marketing body in identifying priority markets.

Without the support of our stakeholders LMC would struggle to meet the strategic objectives that we have set for the organisation. We greatly value the ongoing contribution that we receive from our stakeholders, not just in terms of finances through statutory levies or fees for provision of FQAS, but in terms of the advice, feedback and expertise that they so willingly give to LMC to help us design and deliver services that meet with their needs and expectations. We work with a wide range of suppliers and partner organisations both within and outside Northern Ireland to assist us in the delivery of our comprehensive programme of work and we are also grateful for

their assistance. As an Executive NDPB sponsored by DARD we have very close working relationships with staff in the DARD sponsor team who help us to meet the very exacting standards that are expected of public bodies in Northern Ireland. I am pleased to report that a risk assessment of LMC that was carried out by DARD during the year has categorised LMC as low risk. This is an excellent reflection on the sound governance arrangements that LMC has in place throughout the organisation and we would like to thank our DARD Senior Sponsor and her staff and those in DARD Internal Audit for their assistance and guidance.

### **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 and contribution LMC could not provide the high level of professional service which is expected and required by the beef and sheep meat industry and by DARD. 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.

| <b>Organisational Breakdown at 31 March 2015</b> |                     |                           |
|--|---------------------|---------------------------|
| <b>Level</b>                                     | <b>Total Number</b> | <b>Male: Female Ratio</b> |
| Directors/Board Members                          | 6                   | 5:1                       |
| Senior Managers (SCS level equivalent)           | 0                   | 0:0                       |
| Employees (permanent)                            | 17                  | 6:11                      |
| Employees (temporary)                            | 1                   | 0:1                       |



## **Equality and Good Relations**

LMC remains fully committed to effectively fulfilling our Section 75 statutory duties across all of our functions through the effective implementation of our Equality Scheme. Our current Equality Scheme was approved by the Equality Commission in February 2013. LMC submitted its annual report to the Equality Commission in August 2014 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. Promoting Equality of Opportunity and Good Relations is important to LMC and we will continue to take forward the action measures aimed at improving outcomes in these areas as we develop and deliver our various programmes of activities in support of our Strategic Objectives. LMC also reviewed its Disability Action Plan in 2014 and we remain committed to ensuring that our services are readily available to, and have the opportunity to be accessed by, all of our stakeholders. All staff in LMC received training in Disability Equality from RNIB in October 2014 and staff involved in recruitment received refresher training in recruiting fairly.

## **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. 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's main funding comes from a statutory levy on livestock slaughtered within Northern Ireland. Commercial income is also generated by the provision of Agency Services to the Rural Payments Agency (RPA).

## Levies

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

|        | Maximum Statutory<br>Levy | Actual Levy<br>Producers | Processors |
|--------|---------------------------|--------------------------|------------|
| Sheep  | £1.00                     | £0.20                    | £0.10      |
| Cattle | £6.00                     | £1.00                    | £1.00      |

LMC continues to examine in conjunction with DARD the potential for a mechanism to be put in place for the collection of levies on live exports, which is provided for under the Act by which LMC was established. LMC has also been engaging throughout the year in a UK red meat levy bodies group which has been discussing levy distribution arrangements across the UK and funding of collaborative initiatives that benefit all UK red meat levy payers.

## Northern Ireland Beef & Lamb Farm Quality Assurance Scheme (NIFQAS)

Under 2014/15 funding arrangements for NIFQAS, 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.

### State Aid

On 10<sup>th</sup> February 2015 the European Commission notified the UK Secretary of State for Commonwealth and Foreign affairs that the Commission had no state aid objections to the Beef and Sheep Meat Sector Improvement Scheme (Northern Ireland) 2015 which would provide LMC with state aid cover to undertake its activities from 1 April 2015 to 31 March 2021. Getting approval for this new state aid scheme was essential as LMC's current state aid cover for spending public monies to deliver our services to industry was due to end on 31 March 2015 and we are grateful to the efforts of DARD's European Services Branch in facilitating the smooth passage of the scheme through Defra, UKREP and the Commission.

### **Financial Review**

The accounts for the year are set out on pages 68 to 93. Income from LMC activities for the year of account decreased by approximately £15k to £2.21m relative to 2013/14, mainly as a result of fewer slaughterings of cattle and sheep in Northern Ireland during the year. LMC's income profile for 2014/15 comprised 47.4% from levy & other income; 49.9% FQAS and 2.7% from Rural Payments Agency (RPA) work. No changes to current funding sources are anticipated for 2015/16 and the rates of levy and FQAS membership fees will be retained at their existing levels. Whilst FQAS and RPA income is non-statutory LMC is required to operate within the same financial framework for this income as that derived through statutory levies. A detailed analysis of each of the operational segments of LMC is shown on page 84 at Note 7.

At the beginning of the financial year we had designed in our annual business plan an ambitious programme of expenditure on strategic activity to match with projected

income and at 31 March 2015 almost 99.9% of our income from activities had been utilised for the delivery of the planned programme of activity. When finance income is included and income tax charges are deducted LMC ended the financial year at 31 March 2015 in a very satisfactory position recording a small surplus (including notional adjustments) of £14,139.

LMC receives no direct grant in aid from central Government and we have to project our income prior to the beginning of each financial year based on estimated cattle and sheep slaughterings in Northern Ireland, estimated membership of FQAS and estimated income from other activities during the course of the year. This is very difficult to project accurately and it is not uncommon for LMC to end the year with slight surpluses or deficits. Given the significant fluctuations which can occur in any given year we are pleased that our ongoing monitoring of business income and expenditure throughout the year has led to this satisfactory end of year position.

The market value of pension scheme assets at year end of £9.030 million have shown an increase in value of £894k compared to last year. The present value of the pension scheme obligation at £9.667 million has increased from £8.731 million at the previous year end resulting in a net pension deficit at year end of £637k.

LMC is pleased to report that our financial position remains strong at 31 March 2015 and that we are well placed to continue to deliver a full, ambitious and efficient programme of activity for the benefit of all our levy funders and stakeholders.

### **LMC Performance 2014/15**

The table below summarises LMC's performance against its Business Plan targets for 2014-15. For further information on the detailed monitoring of 2014/15 objectives please contact LMC.

|    | <b>Business Plan<br/>Performance Target</b>   | <b>Outcome<br/>31 March 2015</b> |
|----|---|----------------------------------|
| 1  | <b>Commissioning / Leveraging essential research</b> - Ensure research proposals are adequately resourced and delivered on time and on budget and in line with industry needs                 | Achieved                         |
| 2  | <b>Business Improvement</b> - Ensure that industry is equipped with the appropriate tools to encourage sustainable intensification and delivery of produce in line with market specifications | Achieved                         |
| 3  | <b>Enhancing the Sustainability Credentials of the Industry</b> - Develop industry/stakeholder understanding of, and its response to, climate change  | Achieved                         |
| 4  | <b>Developing staff knowledge and skills</b> - Provide our staff with the right skills and knowledge through appropriate training interventions and networking opportunities                  | Achieved                         |
| 5  | <b>FQAS Provision</b> - Oversee the management of FQAS and ensure it evolves in line with the needs of all industry stakeholders  | Achieved                         |
| 6  | <b>Education Services</b> - Enhance both the understanding of agriculture and food among pupils in secondary level education and the general consumer   | Achieved                         |
| 7  | <b>Consumer Promotion</b> - Deliver a promotional campaign with an appropriate media mix in order to maximise reach to a range of stakeholders  | Achieved                         |
| 8  | <b>Assembling and Managing Market Information</b> - Ensure that LMC staff and stakeholders have access to detailed market information on the livestock and red meat trade                     | Achieved                         |
| 9  | <b>Communication of Information</b> - Communicating market information through LMC Publications, Text Alerts, Conferences and Website   | Achieved                         |
| 10 | <b>Market Access and Development</b> - Support of initiatives to encourage the export marketing of NI beef and lamb in Europe and to Third Countries  | Achieved                         |
| 11 | <b>Improving Stakeholder Understanding of LMC</b> - Ensure stakeholders fully understand LMC's role, functions and value added  | Achieved                         |

## **Review of Activity 2014/15**

### **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 & profitable beef & 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 (NIBL FQAS) and the operation and development of LMC's Education and Consumer Promotion programmes.

#### **1. Industry Development**

Highlights of LMC's Industry Development activity for 2014-15 include the following:

##### **British Food Plan**

LMC has been involved in shaping a new British Food Plan. This initiative introduces a new approach to public procurement by ensuring that food bought by the public sector in England will meet the highest possible standards. Through attendance at working group meetings LMC has ensured that farmers in Northern Ireland can supply this important market as NIBL FQAS beef and lamb is eligible and part of the tender specifications. Looking forward to public procurement locally LMC will, in support of the DARD Minister's endorsement of the NI Guidance on Integrating Sustainable Development into the Procurement of Food and Catering Services, seek to work with DFP and DARD on promoting the NI Guidance.

##### **Food and Feed Safety**

LMC has played an integral role in implementing recommendations of the Industry Feed Assurance Group including the launch of the Food Fortress Scheme which was one of the key recommendations from the IFAG Report 'Assuring Food Safety in Northern

Ireland', launched in January 2011. Food Fortress is an industry wide initiative that is designed to enhance assurance in the supply chain and allow the agri-food industry to promote our local, traceable, quality assured produce to both new and existing customers with greater confidence.

Following a successful pilot phase the Food Fortress Scheme which provides world leading assurance in the animal feed supply chain is now fully operational and with industry agreement was incorporated into the FQAS Standard in October 2014.

During the course of the year LMC engaged with the Food Standards Agency Northern Ireland regarding the Food and Feed Industry Advisory Panel (FFIAP). LMC also worked with the FSA (NI) to keep abreast of beef labelling proposals regarding voluntary claims and earned recognition of FQAS participation with regard to Food and Feed Hygiene Regulation inspections.

### **World Meat Congress**

The twentieth International Meat Secretariat (IMS) World Meat Congress was held in Beijing China in June 2014 in partnership with the China Meat Association with the key theme being 'Prospects for the Sustainable Development and Growth of the Global Meat Industry'. This biannual event attracts meat executives, policy makers, livestock producers and meat organisations from all over the world to debate and discuss future opportunities for the sector. LMC attended the congress during June 2014 and supported the attendance of several key industry representatives from UFU, NIAPA and NIMEA. All of the delegates highlighted the fantastic potential that China offers the NI agricultural sector due to the rapidly rising demand for meat protein. If direct UK market access to China can be secured, the opportunity exists to supply traceable beef and lamb products which have been produced through safe and quality assured supply chains. This year LMC has continued to work on behalf of the industry to assist with market access initiatives.

### **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 including 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 also produced useful literature for younger farmers to assist them with the use of Estimated Breeding Values (EBV's) when selecting livestock for breeding.

On a similar vein, LMC funded a research project designed to individually identify lambs on the kill line allowing individual grading information to be returned to producers for management purposes. The project was extremely successful and the information is available to producers who wish to avail of it.

LMC continues to participate in the Greenmount Abbey Farm KTT Working Group and also advises CAFRE on a range of Knowledge and Technology Transfer (KTT) Projects with one specifically working with younger farmers.

### **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 group is working to develop guidance and metrics for the Global Principles of Sustainable Beef Production that were published by SAI in November 2013 and these will form the basis for a beef Farm Sustainability Assessment which, when its development is completed, may be used by assurance providers, companies and their suppliers throughout the world to help assess the sustainability of their beef supply chains. LMC also worked in partnership with the SAI Platform to stage a very successful Carbon Sequestration Workshop for beef and dairy sector members of



the SAI Platform in Brussels in December 2014. LMC represented the NI red meat industry at the Global Roundtable for Sustainable Beef in Sao Paulo Brazil in November 2014.

LMC is also actively engaged in the work of DARD's GHG Implementation Partnership and has been working with other members during the year to develop Phase 2 of the Efficient Farming Cuts Greenhouse Gases Strategy and Action Plan.

### **Research & Development**

LMC is involved in a number of important Research and Development projects on behalf of its stakeholders. LMC participated in two meetings of the R&D Joint (Levy Body) Committee this year. This provides an opportunity to contribute to larger 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. Red Meat research remained firmly on the agenda this year and LMC contributed to two important AFBI projects; one looking at the potential benefits of grass fed outdoor production systems for the nutritional quality of red meat and a second looking at the eating quality of dairy beef and beef crosses versus traditional beef breeds. The latter has now been completed and results were communicated to stakeholders at a joint LMC/AFBI conference in November 2014.

### **Animal Health and Welfare**

LMC participated in Animal Health and Welfare Stakeholder Forum meetings throughout the year. The meetings are facilitated by DARD and provide an opportunity to update industry representatives on disease trends and welfare issues. Northern Ireland's BVD eradication initiative part funded by LMC and taken forward by Animal Health and Welfare (NI) is progressing well. The programme has now been running since 1<sup>st</sup> January 2013 and as of 1<sup>st</sup> January 2015, 219,893 tissue sample tags tested for BVD across 4037 herds. So far 0.55% of tissue samples from calves have tested positive. The

industry is now working with DARD towards the introduction of a compulsory programme.

## **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 and export 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. We remain active in export markets through our contribution to the L'Agneau Presto campaign which has been key to supporting lamb demand in France, a vital market for the Northern Ireland sheep meat industry

Highlights of LMC's Education and Consumer Promotion activity for 2014/15 include the following:

### **Cookery Demonstrations**

LMC's educational programme continued this year with 325 beef and lamb cookery demonstrations being conducted in Home Economics classes in secondary schools throughout Northern Ireland. LMC's panel of freelance demonstrators (currently 8 on the team) have the opportunity to teach young consumers the role of red meat in a balanced diet. The demonstrations are tailored to complement the Home Economics syllabus and pupils are supported in their coursework and homework with information provided on LMC's educational website [www.food4life.org.uk](http://www.food4life.org.uk). The importance of looking for Northern Ireland Farm Quality Assured beef and lamb is outlined, and the role of the NIFQA scheme is explained in a meaningful way. Pupils are further enabled to make an informed choice about red meat by discussing suitable cuts, simple, fast, tasty recipes and cooking methods. LMC increased the ratio of lamb demos in schools this year to great effect. LMC also had the opportunity to address young agri club pupils in a school in Newry.

### **HE Teachers Conference**

LMC held a conference attended by 94 teachers of Home Economics in the final quarter of the reported period. Speakers from CCEA, Food Standards Agency, British Nutrition Foundation, The Public Health Agency and Asda presented on subjects relevant to the NI Home Economics curriculum. The conference provided an excellent opportunity for LMC to continue and grow its relationship with HE teachers throughout Northern Ireland.

### **Resources**

During the year LMC's traceability leaflet, outlining the importance of the Northern Ireland Farm Quality Assurance Scheme, was distributed at all school demonstrations and consumer sampling sessions. USB sticks and pens promoting the educational food4life website such were given out at school demonstrations. LMC provided beef and lamb resources (cuts posters, recipes, traceability leaflets) to farms participating in Open Farm Weekend. New beef and lamb recipes were produced for use in schools, retail and on the food4life website and the newly created consumer website [beefandlambni.com](http://beefandlambni.com).

### **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 Media Campaign-FQAS**

A beef and lamb media campaign comprising television and radio advertisements, outdoor advertising and press advertising centred around the message 'The Natural Choice'. The whole campaign was supplemented by school cookery demonstrations in schools, sampling in multiple retail outlets and a planned communications programme in the agricultural and consumer press. 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 beef and lamb. Recognition of the logo was extremely positive and increased, especially for lamb. In August 2014 LMC launched a new consumer facing website, [beefandlambni.com](http://beefandlambni.com). The site provides an ideal platform to inform consumers about FQAS producers and FQAS licensed butchers. Join to win competitions have provided a useful list of contacts for direct marketing.

### **Retail Sampling**

LMC once again promoted the quality, safety and traceability of NI Farm Quality Assured beef and lamb across Northern Ireland in a programme of supermarket activity which reached approximately 7,000 shoppers across 10 stores. LMC's panel of demonstrators showed how to prepare and cook simple beef and lamb recipes. Distributing samples at the end of each session gave the demonstrator the opportunity to convey information about the importance of red meat in a balanced diet. Promotional staff working on behalf of LMC handed out recipe and traceability leaflets.

### **L'Agneau Presto**

LMC continues to support L'Agneau Presto, a promotional campaign highlighting the versatility of lamb in one of Northern Ireland's key markets, France. This was the final year of this particular campaign.

### **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. This work has allowed positive messages about red meat to reach over 95 million consumers across the UK.

### **Communication of LMC's Education and Promotion Activities**

LMC was assisted with the promotion of its education work during this period. This included beef and lamb recipe features, staff profiles, the HE Teachers conference, a pupil survey on red meat and promotion of LMC's beef retail sampling sessions.

### **Stakeholder Engagement**

LMC's presence at Balmoral Show during the reported year gave ample opportunity to explain the role the Commission plays according to stakeholder needs. NIFQA beef and lamb rolls were given out to stakeholders on the LMC stand. Resources were distributed to all consumers visiting the stand. LMC demonstrators conducted beef and lamb sampling sessions in the main food marquee as well. LMC provided input into CCEA's proposed new 'A' level HE specification. This will ensure that information about beef and lamb will be presented to pupils in a positive manner. LMC supported Asda's promotion of NIFQA lamb by cooking and sampling in store and distributing new recipe cards. LMC conducted beef and lamb cookery demonstrations at the Northern Ireland Food and Drink Show, a three day consumer event which drew good crowds. LMC were involved in the NIFDA judging panel and supported the awards dinner through a main course of NIFQA beef.

### **3. Northern Ireland Beef & Lamb Farm Quality Assurance Scheme**

The Northern Ireland Beef & Lamb Farm Quality Assurance Scheme (FQAS) is owned and managed by LMC on behalf of the beef and sheep industries. The commercial management of the scheme is the responsibility of the FQAS Industry Board, hosted by LMC. The FQAS Industry Board and Standard Setting Committee met on 2 occasions during the reporting period with sub group meetings held to discuss specific issues arranged when necessary. Regular items of discussion at these meetings included; scheme participation, certification and financial matters including scheme funding.

## **Participation**

In the 2014/15 financial year farmer numbers participating in the Northern Ireland Beef & Lamb Farm Quality Assurance Scheme (FQAS) continued to increase, with an approximate increase in scheme membership of 5.9% in comparison to the 2013/14 financial year. There continued to be an increase in applications to the scheme in response to the increased demand for FQAS cattle and then lambs towards the end of the financial year. In comparison to the financial year end 2013/14 there has been a 53.2% increase in FQAS applications. At the end of the 2014/15 financial year producer participation in FQAS stood at 11,724, an increase in membership of 652 or 5.9% relative to the end of the last financial year. Overall the percentage of price reported domestic prime beef cattle that were farm assured at time of slaughter was 99.6% at the end of the 2014/15 financial year. Heifers represented the highest category for assurance proportion at 99.6% with cull cows reaching a level of 98% assurance during the year.

## **Certification**

In the 2014/15 financial year 7,340 surveillance inspections were conducted by the Certification Body, Northern Ireland Food Chain Certification (NIFCC), which represents an average surveillance inspection interval of 17.6 months against a maximum target of 18 months. There were 575 spot-check inspections, representing 5.3% 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 FQAS Industry Board and LMC Board. In January 2015 the FQAS Industry Board was provided with a report on performance against the fourth year (extension year one) of the Certification Contract (November 2013-October 2014) which showed that targets were not being met by the Certification Body. In total NIFCC carried out 265 surveillance inspections and 76 initial inspections below target,

while also conducting 35 spot check inspections above target. By 31 March 2015 this deficit was corrected.

In the fourth year of the contract (extension year one) the decision was made to change from a set payment to the Certification Body to a pay-as-you-go format i.e. payment per inspection.

LMC are now in the fifth and final extension year of the current contract for the provision of certification services to NIBL FQAS (1 November 2014 – 31st October 2015). This contract will be put out to tender through Central Procurement Directorate (CPD) following the public procurement process. The new contract is due to commence on 1 November 2015.

### **Product Standard**

The new NIBL FQAS Standard and Rules book was completed in April 2014 and distributed to all FQAS participants. A period of six months was given for FQAS participants to become familiar with any changes to the Standard; the Standard was then implemented in October 2014. The main changes to this document was a full review of Section 3-Animal Nutrition (based on the out workings of the Industry Feed Assurance Group in response to the dioxin incident in 2008), wording changes in order to clarify some aspects of the Standard and combination of Standard and Rules into one document. The FQAS Standard continues to be reviewed with the FQAS Standard Setting Committee and LMC representatives liaise with Assured Food Standards regularly as NIBL FQAS is considered an equivalent scheme to Red Tractor Beef and Lamb Assurance Scheme.

### **Scheme Management**

In October 2014, LMC sponsored the Farming Life and Danske Bank Awards for a third year with the award category 'FQAS Farmer of the Year'. LMC also sponsored Allams Show boards at the Christmas Show & Sale in December at King's Hall, Belfast.

Over the course of 2014/15 there was a continued focus on licensing butchers to use the FQAS logo. By the end of Q4 of 2014/15, there were 140 local butchers licensed to use the FQAS logo on farm quality assured beef and lamb.

In November 2014, LMC reintroduced butchers' audits. This is an audit of butchers shops selected at random from the list of FQAS butcher licence holders, to check that these food businesses are adhering to the relevant FQAS Butchers Standard. An independent company has been conducting these audits on behalf of the LMC with the aim of these audits being to undertake traceability checks on these businesses to ensure the FQAS logo is being used correctly and that the beef and lamb which the butcher is presenting for sale as FQAS assured is such. It is not LMC's intention to duplicate any checks or audits which food businesses are already subject to and our sole intention is to focus on traceability and correct use of the logo. There were 14 inspections completed in the pilot phase with more planned for 2015/16.

Throughout 2014/15, development of the CRM (Customer Relationship Management) FQAS database continued in line with LMC's future requirements. The CRM FQAS database has been operational and "live" 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 continues to maintain good lines of communication with Assured Food Standards (AFS) with regards to the Red Tractor (RTA) Beef and Lamb Assurance Scheme. NIBL FQAS and RTA Beef and Lamb are considered equivalent assurance schemes therefore LMC meets with AFS throughout the course of the year to provide updates on scheme developments. In January 2015 AFS published a consultation document on the delivery of Lifetime Assurance of beef. LMC submitted a detailed consultation response on Lifetime Assurance to AFS in March 2015. This was fully supported by the FQAS Industry Board. Subsequently AFS have confirmed that they will appoint an independent person to review all the consultation responses to ensure an unbiased and balanced view. Once



that process is complete, the RTA (Red Tractor Assurance) Beef and Lamb Sector Board and Red Tractor Assurance Board will consider the outcome of the consultation.

In order to assist scheme members to pay their membership fees with ease, LMC operate an online payments system through the LMC website where FQAS participants (both annual renewals and initial registrations) can pay membership fees with a valid credit/debit card. LMC are currently in the process of developing an online application form to provide producers with the option to apply and pay online.

### **Farm Liaison**

The FQAS Farm Liaison Service continued to provide valuable assistance before and after inspections to FQAS participants during the 2014/15 reporting period. The Liaison Service continued to actively call members of the FQAS 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 FQAS Helpline and referrals from the Certification Body. The FQAS Farm Liaison Officer dealt with on average 264 calls per month from and to members of the FQAS. The Farm Liaison Officer extends the Liaison Service to Livestock Markets in each of the six counties to assist FQAS members in their locality.

### **Market Information Department Report**

During the year, LMC continued to deliver market information services to support the 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 which is delivered through LMC Publications, events and presentations.

## **Market Overview**

The Northern Ireland beef and lamb industry faced significant challenges in 2014-15. Once again the year was characterised by significant volatility with acute fluctuations in farm gate prices over the course of the year. 2014-15 began with significant pressure on farm gate beef prices, following an unprecedented increase in price following the horsemeat crisis in 2013. With UK retailers maintaining strong demand for domestically sourced product, the market for in-spec, UK origin cattle remained relatively resilient. The worst of the pressure was on out-of-spec cattle, with much of this beef destined for less profitable markets. A troubled manufacturing beef market across Europe and the decline in the value of the euro made trading in certain secondary markets more difficult.

The sharp decline in price had significant repercussions for beef finishers, many of whom had previously paid high prices for expensive store cattle in late 2013 and early 2014. The decline in deadweight prices led to significant losses for beef finishers during this period. Meanwhile, processors reported mounting losses on refrigerated stocks.

This tough market environment was compounded by difficult industry relations throughout the first half of the year. The contentious dispute over specifications generally, and residency in particular, almost proved intractable. This issue was eventually resolved in August and the entire episode proved the importance of developing a unified supply chain, a key objective of the Agri-Food Strategy Board.

Tightening supplies from September led to intensification in competition for finished cattle and prices increased at an unprecedented rate over the course of the autumn reinforcing the perception that the market has become increasingly volatile. Notably, for much of the autumn Northern Ireland prices were higher than equivalent English prices. In early 2015 prices have fallen back at a steady rate, once again highlighting the volatile nature of the beef trade in recent times.

The improved weather and early earlier grass growth in spring 2014 led to reduced lamb mortality and improved lamb performance. As a result lambs came forward for slaughter earlier than in previous years. ROI continued to act as an important outlet for NI origin lambs with 45 per cent of NI lamb production exported to ROI for direct slaughter during 2014/2015. The improved weather and shorter finishing times resulted in a smaller number of hoggets carried into 2015 than in previous years.

The DARD Agricultural survey identified a three per cent increase in the size of the sheep breeding flock between December 2013 and December 2014. This follows on from a six per cent decline in the breeding flock between 2012 and 2013 as a result of difficult production conditions. In December 2014 there were 890,300 breeding sheep on NI farms compared to 864,600 the previous December. This year on year increase takes the NI breeding flock to similar levels as recorded in December 2011

The number of ewe lambs entering the breeding flock in December 2014 totalled 93,300 head and they accounted for 10.5 per cent of the total breeding flock. By comparison in December 2013 there were 61,100 ewe lambs in the NI breeding flock accounting for a 53 per cent increase year on year.

For the start of the 2014/2015 financial year lamb prices were below the record levels seen in the corresponding period in 2013 but similar to the prices seen in 2012. As the year progressed the trade strengthened with tighter supplies of lambs and firmer demand from processors and this continued into 2014.

### **Information Services**

LMC has further developed its information knowledge base over the course of the year. A significant project was agreed late in the year to develop an improved dataset on the live trade in conjunction with the Agri-Food and Biosciences Institute and local markets. This development will allow LMC to report much more comprehensively on the trade in store cattle, weanlings and calves.

LMC continued to deliver its price reporting obligations for the Rural Payment Agency 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 2014-15, 78 per cent of cattle slaughterings were price reported. LMC has communicated its weekly price reports in a range of formats and publications, including the LMC Bulletin, website and through the agricultural media.

### **Honest Broker Activities**

The Market Information department was heavily involved in the resolution of debates about specifications in 2014. One particular point of debate, concerning the number of farm residencies, proved particularly contentious. This issue concerned livestock auctioneers, beef producers and beef processors and a large number of representative bodies were actively engaged on the issue. LMC's MI department consulted extensively with stakeholders on the issue of specification and in particular, on the issue of residency. It also investigated the historical background on the residency specification. LMC established the facts and issued proposals to resolve this sensitive issue and ultimately brokered a solution.

### **Market Analysis and Research**

The Market Information department has continued to conduct bespoke analysis in response to ongoing trends observed throughout the year. LMC has been particularly engaged on the subject of specification in 2014-15, undertaking analysis and publishing updates on prices for cattle of different specifications.

### **Publications**

LMC continues to deliver a comprehensive range of statistical publications in 2014. The weekly bulletin remains the primary vehicle for the delivery of impartial market information to the industry. It is published weekly in the Farming Life newspaper, on the LMC website and is distributed to email subscribers. This year, following the

emergence of new market trends, slight adjustments have been made to price reports in the Bulletin so that the service remains effective and useful for stakeholders.

The Bulletin is complemented by LMC Quarterly which gives the deeper analysis of strategic issues and this year it provided detailed coverage on changes in the retail grocery sector, changes in the production base and sustainability developments.

The text message is an increasingly popular and effective vehicle for provision of weekly market information to producers. There are now over 6,500 subscribers to the LMC text message. LMC continues to provide daily price updates on the LMC answerphone service and to BBC Radio Ulster.

LMC also introduced a range of new 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 and a monthly snapshot of the beef and lamb market in Northern Ireland.

### **Conference: Adapting to Change**

In November LMC hosted a conference at Belfast's Balmoral Conference Centre in conjunction with AFBI. The conference was themed "Adapting to Change; The Role of Innovation in Beef Production" and was booked out with over 200 delegates in attendance. The conference was opened by Minister Michelle O'Neill and the morning session of the conference was chaired by LMC Chief Executive Ian Stevenson, with the opening presentation given by Conall Donnelly. The conference was very well received with excellent coverage in both the press and on Radio Ulster. LMC also hosted a pre-conference event which was very successful and provided an excellent opportunity for stakeholders to network with each other and with conference speakers in advance of the main event.

### **Export Development**

LMC continued to support the work of the UK Export Certification Partnership (UKECP) this year. The weakness of available markets in Europe made export development and market access issues an even higher priority in 2014-15. The strength of the USA and Asian markets led to LMC adjusting priorities in year to fund market access work in the USA and the Philippines. It is anticipated that delegations from both countries will visit Northern Ireland in 2015-16 to undertake inspections as part of the market access procedures for both countries.



Ian Stevenson  
Accounting Officer

19 June 2015

## **Directors Report**

### **Commission Membership**

The Minister for Agriculture and Rural Development appoints the chairman and members of the LMC Board for three-year terms. As of 31 March 2015 there are six members on the Commission (“the Board”).

- Patrick O’Rourke (Chairman)
- Ian Mark
- Mary McCormack
- Phelim O’Neill
- Kenneth Sharkey
- Patrick McElroy

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. A Register of Interests is maintained by the Commission for all Board members and staff. Board members interests are outlined in

the following section. Further details in relation to the management of any Conflict of Interest are given in the Governance Statement.

**Patrick O'Rourke (Chairman)**

Mr Patrick O'Rourke has served as the Chairman of LMC since 7 May 2009. He has worked as Marketing and Public Relations Manager with the Irish Concrete Federation and is currently Chairperson of the Parkinson's Association of Ireland. He is a past Chairman of Longford Community Resources and past president of the Irish Creamery Milk Suppliers Association. He has also been a board member of both An Bord Bia and the Irish Dairy Board. In these positions he gained experience in contributing to the strategic direction of an organisation and engaging with stakeholders, government and political representatives.

**Ian Mark**

Mr Ian Mark was appointed to the Board in January 2012. He was the Managing Director of Lean and Easy from 1995 to 2010 and is currently a self-employed beef and sheep farmer. He is also a Managing Partner of Foyle Hovercrafting and Leisure, immediate past Chairman of CAAN Activity Tourism Working Group and a member of the Royal Ulster Agricultural Society (RUAS) Council. He has also served as a Board member of Causeway Coast & Glens Tourism Partnership. He served on the LMC Board from 1997 to 2002 as a producer representative and is a past Chairman of the Ulster Farmers' Union Cattle and Sheep Committee. He has significant experience of dealings with the multiple retailers and NI restaurant trade.

**Mary McCormack**

Mrs Mary McCormack was appointed to the Board in January 2009. She is a university graduate with wide ranging experience of the agri-food industry including fulfilling a representational role and developing policy. She runs a mixed hill farm with dairy, suckler and beef enterprises. She is also Farm Liaison Officer with Camowen Partnership Carrickmore, a Member of Lakeland Dairies' Producer Committee, Vice-Chair of the NI



Agricultural Consultants Association, a member of Omagh District Council Local Action Group for the Rural Development Programme and a member of the Omagh Forum for Rural Associations. She also served on the AgriSearch Board of Trustees for 6 years.

**Patrick McElroy**

Mr Patrick McElroy was appointed to the LMC Board in February 2014. Mr McElroy is Company Secretary and is a Director of Bourlion Limited and from 1997 to 2007 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.

**Phelim O'Neill**

Mr Phelim O'Neill was appointed to the Board in January 2009. He comes from a farming background in Co Tyrone; graduated from Queen's University with an Honours degree in Law and later obtained a Masters in Business Strategy from the University of Ulster. He has held various roles in the red meat industry including as Chief Executive of the Northern Ireland Meat Exporters' Association and Chairman of Northern Ireland Food Chain Certification limited. He is currently working for the Irish Farmers Journal as Markets Specialist reporting on key developments in beef and lamb markets at home and abroad. He is also a member of the Northern Ireland Food Advisory Committee (NIFAC).

**Kenneth Sharkey**

Mr Kenneth Sharkey was appointed to the Board in January 2009. Mr Sharkey is a progressive beef and sheep farmer and ex-President of the Ulster Farmers' Union who has significant personal experience of the agri-food industry and related issues. This includes fulfilling a representational role, engagement with the different parts of the food supply chain and developing policy. He has served as a director of Countryside Services, Glenfarm Holdings and the NFU Mutual.

## **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 C&AG is informed of that information. So far as he is aware, there is no relevant audit information of which the C&AG is unaware.

The audit of the financial statements for 2014/15 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.

## **Staff Absence**

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

|  | <b>2014/15</b> | <b>2013/14</b> |
|--|----------------|----------------|
| <b>Percentage days lost through sickness absence</b> | 1.69%          | 2.00%          |
| <b>Cost of absence</b>                               | £7,830         | £8,590         |

|   |       |       |
|---|-------|-------|
| <b>Percentage of annual staff costs</b> | 1.62% | 1.53% |
|---|-------|-------|

### **Financial Risk Management**

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

### **Significant Issues**

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



Ian Stevenson  
Accounting Officer

19 June 2015

## **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 and Personnel (DFP) instructs LMC when an annual review has been approved.

DFP 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.

|   | 2014/15         |  |                              |                | 2013/14                                    |  |                              |                |
|---|-----------------|--|------------------------------|----------------|--|--|------------------------------|----------------|
| Name  | Salary<br>£'000 | Benefits<br>in kind<br>(to<br>nearest<br>£100) | Pension<br>benefits<br>£'000 | Total<br>£'000 | Salary<br>£'000                            | Benefits<br>in kind<br>(to<br>nearest<br>£100) | Pension<br>Benefits<br>£'000 | Total<br>£'000 |
| Mr P O'Rourke<br>Chairman                                 | 20-25           | -  | -                            | 20-25          | 15-20                                      | -  | -                            | 15-20          |
| Mr P O'Neill<br>Board Member                              | 5-10            | -  | -                            | 5-10           | 5-10                                       | -  | -                            | 5-10           |
| Mrs M McCormack<br>Board Member                           | 5-10            | -  | -                            | 5-10           | 5-10                                       | -  | -                            | 5-10           |
| Mr K Sharkey<br>Board Member                              | 5-10            | -  | -                            | 5-10           | 5-10                                       | -  | -                            | 5-10           |
| Mr I Mark<br>Board Member                                 | 5-10            | -  | -                            | 5-10           | 5-10                                       | -  | -                            | 5-10           |
| Mr P McElroy<br>Board Member<br>(from 1 February<br>2014) | 5-10            | -  | -                            | 5-10           | 0-5<br>(Full year<br>equivalent<br>5-10)   | -  | -                            | 0-5            |
| Mr J Noble<br>Board Member<br>(until 31 January<br>2013)  | -               | -  | -                            | -              | 5-10<br>(Full year<br>equivalent<br>5-10 ) | -  | -                            | 5-10           |
| Mr I Stevenson<br>Chief Executive                         | 50-55           | -  | 13                           | 60-65          | 50-55                                      | -  | 13                           | 60-65          |

## 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 2014-2015 was £51,515 (2013-2014: £51,255). This was 3.11 times (2013-14: 3.13 times) the median remuneration of the workforce, which was £16,550 (2013-2014: £16,378).

## Benefits in kind

The monetary value of benefits in kind covers any benefits provided by the employer and treated by the Inland Revenue as a taxable emolument.

## NILGOSC Pensions (audited)

| Name                              | Accrued pension at age 65 as at 31/3/15 and related lump sum | Real increase in pension and related lump sum at age 60 | CETV at 31/3/15 | CETV at 31/3/14 | Real increase in CETV | Employer contribution to partnership pension account |
|-----------------------------------|--|---|-----------------|-----------------|-----------------------|--|
|                                   | £'000  | £'000   | £'000           | £'000           | £'000                 | Nearest £100   |
| Mr I Stevenson<br>Chief Executive | 5-10 plus lump sum 0-5                                       | 0-5 plus lump sum of (0-2.5)                            | 53              | 43              | 10                    | -  |

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.



Ian Stevenson  
Accounting Officer  
19 June 2015

## **Statement of the Commission and Accounting Officer's Responsibilities**

In accordance with the Livestock Marketing Commission Act (Northern Ireland) 1967 the Livestock and Meat Commission for Northern Ireland (LMC) is required to prepare a statement of accounts in the form and on the basis determined by the Department of Agriculture and Rural Development (DARD) with the approval of the Department of Finance and Personnel (DFP). 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 income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts LMC is required to:

- Observe the accounts direction issued by DARD 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 have been followed, and disclose and explain any material departures in the financial statements
- 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 DARD 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, for the keeping of proper records and for safeguarding the LMC's assets, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum, issued by DFP.



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 2014-15**

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 DARD 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 the Non-Departmental Public Bodies' Accounting Officer Memorandum, issued by DFP.

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 and Rural Development 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 DARD (Food Policy Branch being LMC's sponsors within DARD). During the year this was reviewed, updated and finalised for signature by DARD and LMC.

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 2014-2017 Strategic Plan was approved by DARD and the Minister in March 2014. The business plan is formed from the first 12 months of the Strategic Plan and includes key targets and milestones. The 2014-2015 Business Plan was approved by DARD and the Minister in March 2014. Financial budgets are produced annually for the forthcoming 12-month period.

The governance framework has been in place at LMC for the year ended 31 March 2015 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 and Rural Development 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 fulfils the aims and objectives that are approved by DARD, 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 DARD and its Minister
- Ensures that DARD 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 DARD 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 DARD that action has been taken to make appropriate adjustments where required
- Demonstrates high standards of corporate governance at all times
- Appoints, with DARD's approval, a Chief Executive to LMC and, in consultation with DARD, sets remuneration terms for the Chief Executive.

## Evaluation of Board Performance

Table 1 sets out the attendance of Commission Members for the financial year 2014/15 at Board and Audit Committee meetings where applicable:

Table 1

| <b>NAME</b>      | <b>BOARD MEETING</b> | <b>AUDIT COMMITTEE</b> |
|------------------|----------------------|------------------------|
| Patrick O'Rourke | 10/10                | -                      |
| Ian Mark         | 10/10                | 3/3                    |
| Mary McCormack   | 08/10                | 3/3                    |
| Patrick McElroy  | 09/10                | 3/3                    |
| Phelim O'Neill   | 10/10                | 2/3                    |
| Kenneth Sharkey  | 10/10                | -                      |

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 DARD and hosted on LMC's website.

The Director of DARD's Food, Farm and Rural Policy Division assesses the LMC Chairman annually. The LMC Chairman assesses individual Board members annually.

In February 2015 the Board completed a performance self-assessment checklist using the 6 core elements of corporate governance in the 'Good Governance Standard for Public Services'. All members were satisfied with the overall compliance of the Board in each of the 6 areas, including:

- The effectiveness of meetings;
- The quality and frequency of the financial, performance and other management information provided to Board members;

- The Board operates the highest standard of governance;
- Formal risk management and governance procedures are in place and regularly reviewed;
- Roles are clearly defined; and
- The Board has a clear and effective relationship with the Executive Team.

The results of the self-assessment were discussed at the March 2015 Board meeting, and the overall results of the checklist are shown in Table 2. In comparison to the previous year's assessment there is a 6% increase in the figures for Exceeded Expectation.

Table 2

| <b>Exceeded expectation</b> | <b>Met expectations</b> | <b>Partially met expectations</b> | <b>Did not meet expectations</b> |
|-----------------------------|-------------------------|-----------------------------------|----------------------------------|
| 27%                         | 57%                     | 14%                               | 2%                               |

Action points from the self-assessment exercise include:

- Chairman to discuss findings of the self-assessment with DARD Senior Sponsor regarding the Board's relationship with sponsor department and the composition of the Board.
- Chairman to discuss with DARD Senior Sponsor the constraints on LMC arising from its status as an NDPB and how this stifles openness and creativity and scope for further flexibilities.
- The Board held a meeting with key stakeholder representatives in March 2015 to outline and discuss LMC plans for 2015-16, listen to stakeholders needs and discuss key strategic issues for the sector and LMC. The Board agreed that this was a very worthwhile exercise which should be repeated annually.

The Internal Audit Branch Annual Report and Opinion 2014/15 on the LMC recorded that the Terms of Reference for the Board outlined its roles and responsibilities and is up-to-date, and that Board membership is independent non-executive members and comprises a balance of skills and experience.

### **Committees of the Board**

The Board has established and delegated powers to an Audit & 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 Messrs. Kenneth Sharkey and Phelim O'Neill.

### **Audit & 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. The ARAC's Terms of Reference were updated as required during the year.

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 NIAO as external auditor, representatives of Internal Audit (DARD IA), representatives of the sponsor body (DARD), 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 & 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 Committee also periodically reviews its own effectiveness and its chair reports the results of that review to the chair of the commission.

The Audit Committee met formally 3 times during the 2014/15 financial year, and reported 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 focus of the committee during the year was on assuring the integrity of narrative and financial reporting, risk management and internal control.
- At the May 2014 meeting the NIAO representative, in consideration of the Draft Annual Report and Accounts 2013/14, recommended that the Income and Expenditure Account be renamed "Statement of Comprehensive Net Expenditure" in accordance with Government Financial Reporting (FrEM) guidelines. The ARAC agreed to recommend this to the Board.



- On the recommendation of NIAO the name of the Audit Committee was changed to the “Audit and Risk Assurance Committee”. This change was recommended to the Board and approved on 28 May 2014.
- The C&AG certified the Annual Report and Accounts 2013/14 on 10 June 2014.
- For the period under review the ARAC agreed to use the NAO self-assessment template to assess its own performance against recommended practice, and members of the ARAC have provided individual responses. These responses will be consolidated into an agreed final self-assessment document.
- The Risk Register was reviewed at 6 monthly intervals and it was noted that the risk relating to Corporation Tax had been removed and that the risk in relation to Board succession continues to be considered “High”. ARAC recommended that LMC should write to the sponsor highlighting the Board succession risk.
- At the February 2015 meeting it was noted that a draft Internal Audit report 2014/15 had been presented to management for response. The draft proposed a “satisfactory” opinion with no Category 1 findings.

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 management letter and other reports.

The Internal Audit Branch of DARD gave an overall “Satisfactory” assurance, in its 2014/15 annual report and opinion of the Livestock and Meat Commission for Northern Ireland, 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:

- Both the Board and ARAC performed an evaluation of their own performance for the 13/14 year
- Code of Conduct is in place for members of the LMC Board and this document is publicly available via the organisation’s website.
- Various corporate policies are in place including Staff Code of Conduct; Disciplinary Rules & Procedures; Conflict of Interest policy; Fraud Policy and Fraud Response Plan; Clear Desk Policy; Whistleblowing Policy and Gifts & Hospitality Policy.
- A number of policies are also currently under review as part of a wider exercise.
- There is an agreed Management Statement and Financial Memorandum (MSFM) between DARD and LMC which is reviewed on a 6 monthly basis.

Recommendations to be addressed include:

- LMC Complaints Procedure should be revised in accordance with new standards and tailored to reflect what is appropriate for the nature and size of the organisation
- LMC should consider reviewing their Gifts and Hospitality Policy and IT & Telecommunications Policy to ensure policies remains current
- The role of LMC Board in relation to risk management should be fully documented in the Terms of Reference and risk management should be a standing agenda item at LMC Board meetings
- Contact details within Whistleblowing Policy to be updated

### **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.

### **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 generally held after each Board meeting 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 DARD 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 DARD policies, including the achievement of key objectives, is reported to DARD on a quarterly basis. In line with DARD's Arms Length Bodies Sponsorship Manual quarterly Accountability meetings take place between the Director of DARD's Food, Farm and Rural Policy Division 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 each year 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 2014/15.

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 2014/15 on the LMC provided an overall satisfactory opinion. The opinion was derived from an annual review which

included Corporate Governance, Financial 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 2013-14 financial statements with an unqualified audit opinion, without modification.

### **Sponsorship Risk Assessment**

In February 2015 the DARD Permanent Secretary and Accounting Officer advised LMC on the outcome of a detailed Risk Assessment on the LMC completed by DARD officials in spring 2014. The purpose of the Assessment was to inform DARD of the overall governance and accountability arrangements in place in the LMC and was carried out in line with the guidance set out in the DARD Sponsorship Manual. The Assessment Team considered how well the LMC is performing across a range of corporate governance areas based on available evidence and judged that the overall risk rating for the LMC should be classified as Low.

### **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 DARD'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 & 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 & Risk Assurance Committee. Advice on best practice and technical issues associated with risk management is also provided through regular contact with DARD.

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 branch, Department of Agriculture and Rural Development. However, we value innovation and the implementation of new services which support the achievement of our goals.

## **Risk Register**

The Corporate Risk Register was reviewed by the Audit Committee in November 2014 and was subsequently approved by the Board. Risk issues and their management are routinely discussed at each Senior Management Team meeting. During 2014/15, 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. LMC health or safety incident involving staff, visitors or general public.
4. Information loss and security.
5. Ineffective communications, misinformation and misrepresentation of LMC information.
6. Inadequate staff resources.
7. Absence of succession planning for membership of the Board.
8. Non-extension of current Meat Industry Development (MID) Scheme if an approved replacement state-aid scheme not in place by end of the current MID scheme in March 2015.

Figure 1 LMC Risk Profile

|            |                 |                    |                  |      |
|------------|-----------------|--------------------|------------------|------|
| Likelihood | High            | 2                  | 7                |      |
|            | Medium          | 5                  | 1,6              |      |
|            | Low             |                    | 3                | 4,8  |
|            |                 | Low                | Medium           | High |
|            | Impact          |                    |                  |      |
| <b>Key</b> | <b>Low Risk</b> | <b>Medium Risk</b> | <b>High Risk</b> |      |

In managing those risks categorised as High Risk, the Chairman is engaging with DARD to ensure succession planning to the Board is prioritised before the existing Board members reach the end of their current term. Those Board members due to finish in November 2014 had their terms extended until June 2015. The Chairman also had his term extended until November 2015.

### 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 2014/15 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.

In accordance with the Internal Audit Branch Annual Report and Opinion 2013/14 recommendations an Information Loss Handling Plan and an Information Asset Register was developed and approved by the Board in January 2015 and staff undertook Data Protection training in September 2014.

There were no records of any data related incidents that would constitute protective security breaches, in the financial year 2014/15.

### **Significant Governance Issues**

There are no significant governance issues to report in the 2014/2015 Governance Statement.

In last year's Governance Statement LMC highlighted the potential risks and opportunities that would have to be managed by LMC as the Agri-Food Strategy Board rolled out implementation of various recommendations in its Going for Growth report, in particular recommendation 1: 'Establish a single Agri-Food marketing Organisation for Northern Ireland to consolidate all marketing and promotional activities for the industry with a clear food promotion strategy. This organisation must explore opportunities to work with Bord Bia and Scotland Food and Drink in areas of mutual interest and where joint programmes would enable access to EU funding stream'.

During the 2014/15 year LMC actively engaged with a DETI led review of Agri-food Marketing and Promotion in Northern Ireland which had been initiated to undertake a comprehensive assessment of Northern Ireland's agri-food marketing and promotion activities, including identification of options for improved delivery and opportunities to work with other bodies. LMC highlighted to the review its willingness to engage and collaborate with other sectors and organisations to deliver marketing and promotion outcomes that improve the positioning of Northern Ireland agri-food in domestic, external and export markets. As the lead organisation for the marketing and promotion of beef and lamb in Northern Ireland, and as a key provider of building blocks for the marketing and promotion of the sector both inside and outside Northern Ireland, LMC is well placed to play a lead role in the outworking of recommendation 1, including creation of an industry-led agri-food marketing body.

## **Conclusion**

As Accounting Officer, based on assurances provided to me by DARD 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.



Ian Stevenson  
Accounting Officer

19 June 2015

## **The Certificate and Report of the Comptroller and Auditor General to the Northern Ireland Assembly**

I certify that have audited the financial statements of the Livestock and Meat Commission (“the Commission”) for the year ended 31 March 2015 under the Livestock Marketing Commission Act (Northern Ireland) 1967. These 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 Remuneration Report that is described in that report as having been audited.

### **Respective responsibilities of the Commission, Accounting Officer and auditor**

As explained more fully in the Statement of the Commission and Accounting Officer’s Responsibilities, the Commission is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Livestock Marketing Commission Act (Northern Ireland) 1967. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board’s Ethical Standards for Auditors.

### **Scope of the audit of the financial statements**

An audit involves obtaining 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. This includes an assessment of: whether the accounting policies are appropriate to the Commission's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Commission; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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 the Assembly and the financial transactions recorded in the financial statements conform to the authorities which govern them.

### **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.

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the Commission's affairs as at 31 March 2015 and of the net income, cash flows and changes in taxpayers' equity for the year then ended; and

- the financial statements have been properly prepared in accordance with the Livestock Marketing Commission Act (Northern Ireland) 1967 and the Department of Agriculture and Rural Development directions issued thereunder.

### **Opinion on other matters**

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Department of Agriculture and Rural Development's directions issued under Livestock Marketing Commission (Northern Ireland) Act 1967; and
- the information given in Directors' Report and Strategic Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

### **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 part of the Remuneration 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 Department of Finance and Personnel's guidance.

## **Report**

I have no observations to make on these financial statements.

A handwritten signature in black ink that reads "Kieran J Donnelly". The signature is written in a cursive style with a large initial 'K' and 'D'.

*KJ Donnelly*

*Comptroller and Auditor General*

*Northern Ireland Audit Office*

*106 University Street*

*Belfast*

*BT7 1EU*

*25 June 2015*

## Statement of Comprehensive Net Expenditure for the year ended 31 March 2015

|  | Note | 2015<br>£       | 2014<br>£      |
|--|------|-----------------|----------------|
| <b>Expenditure</b>   |      |                 |                |
| Staff and related costs  | 3    | 482,728         | 560,431        |
| Depreciation (net of deferred grant release)   |      | 26,677          | 29,753         |
| Other operating charges  | 4    | 1,700,611       | 1,663,836      |
|  |      | 2,210,016       | 2,254,020      |
| <b>Income - continuing operations</b>  |      |                 |                |
| Income from activities   | 2    | 2,212,598       | 2,227,497      |
| <b>Net income/(expenditure)</b>  | 2    | 2,582           | (26,523)       |
| Finance income   | 5    | 17,563          | 32,872         |
| <b>Net income before income tax</b>  |      | 20,145          | 6,349          |
| Income tax charge  | 6    | 6,006           | 19,487         |
| <b>Net income/(expenditure) after tax</b>  | 7    | 14,139          | (13,138)       |
| <b>Other comprehensive net (expenditure)/income</b>                                  |      |                 |                |
| <b>Items that will not be reclassified to net operating costs:</b>                   |      |                 |                |
| Actuarial (loss)/gain on retirement benefits obligations                             |      | (94,000)        | 924,000        |
| Net gain on revaluation of property, plant and equipment                             |      | 1,137           | 12,715         |
|  |      | (92,863)        | 936,715        |
| <b>Total comprehensive net (expenditure)/income for the year ended 31 March 2015</b> |      |                 |                |
|  |      | <b>(78,724)</b> | <b>923,577</b> |

The notes on pages 72 to 93 form part of these financial statements.

## Statement of Financial Position as at 31 March 2015

|   | Note | 2015<br>£        | 2014<br>£ |
|---|------|------------------|-----------|
| <b>Assets</b>                                     |      |                  |           |
| <b>Non-current assets</b>                         |      |                  |           |
| Property, plant and equipment                     | 8    | 893,001          | 909,010   |
| <b>Total non-current assets</b>                   |      | <b>893,001</b>   | 909,010   |
| <b>Current assets</b>                             |      |                  |           |
| Trade and other receivables                       | 9    | 329,167          | 346,308   |
| Cash and cash equivalents                         | 10   | 1,530,109        | 1,661,807 |
| Short term bank deposits                          | 11   | 1,707,759        | 1,685,843 |
| <b>Total current assets</b>                       |      | <b>3,567,035</b> | 3,693,958 |
| <b>Total assets</b>                               |      | <b>4,460,036</b> | 4,602,968 |
| <b>Current liabilities</b>                        |      |                  |           |
| Trade and other payables                          | 12   | 351,584          | 448,245   |
| Income tax liabilities                            |      | 5,739            | 19,487    |
| <b>Total current liabilities</b>                  |      | <b>357,323</b>   | 467,732   |
| <b>Non-current assets plus net current assets</b> |      | <b>4,102,713</b> | 4,135,236 |
| <b>Non-current liabilities</b>                    |      |                  |           |
| Pension liabilities                               | 15   | 637,000          | 595,000   |
| <b>Total non-current liabilities</b>              |      | <b>637,000</b>   | 595,000   |
| <b>Total assets less liabilities</b>              |      | <b>3,465,713</b> | 3,540,236 |
| <b>Taxpayers' Equity and Other Reserves</b>       |      |                  |           |
| Income and expenditure account                    |      | 3,223,864        | 3,299,314 |
| Revaluation reserve                               |      | 1,137            | -         |
| Designated reserves                               |      | 240,712          | 240,922   |
|   |      | <b>3,465,713</b> | 3,540,236 |

The financial statements on pages 68 to 93 were authorised for issue by the Board on and were signed on its behalf by:



Ian Stevenson  
Accounting Officer  
19 June 2015

The notes on pages 72 to 93 form part of these financial statements.



## Statement of Cash Flows for the year ended 31 March 2015

|   | Note | 2015<br>£        | 2014<br>£ |
|---|------|------------------|-----------|
| <b>Cash flows from operating activities</b>             |      |                  |           |
| Net income before income tax                            |      | <b>20,145</b>    | 6,349     |
| Adjustments for:  |      |                  |           |
| Depreciation of property, plant and equipment           |      | <b>26,677</b>    | 29,753    |
| Movement in trade and other receivables                 |      | <b>17,141</b>    | 59,675    |
| Actuarial (loss)/gain recognised                        |      | <b>(94,000)</b>  | 924,000   |
| Movement in trade and other payables                    |      | <b>(96,661)</b>  | 134,234   |
| Movement in pension liabilities                         |      | <b>42,000</b>    | (844,000) |
| Notional charges  |      | <b>4,201</b>     | 4,086     |
| Profit on disposal of property, plant and equipment     |      | -                | -         |
| Income tax paid   |      | <b>(19,754)</b>  | (8,876)   |
| <b>Net cash used in operating activities</b>            |      | <b>(100,251)</b> | 305,221   |
| <b>Cash flows from investing activities</b>             |      |                  |           |
| Purchases of property, plant and equipment              |      | <b>(9,531)</b>   | (43,426)  |
| Proceeds from sale of property, plant and equipment     |      | -                | -         |
| Movement in short-term deposits                         |      | <b>(21,916)</b>  | (42,721)  |
| <b>Net cash used in investing activities</b>            |      | <b>(31,447)</b>  | (86,147)  |
| Movement in cash and cash equivalents                   |      | <b>(131,698)</b> | 219,074   |
| Cash and cash equivalents at the beginning of the year  | 10   | <b>1,661,807</b> | 1,442,733 |
| <b>Cash and cash equivalents at the end of the year</b> | 10   | <b>1,530,109</b> | 1,661,807 |

The notes on pages 72 to 93 form part of these financial statements.

## Statement of Changes in Taxpayers' Equity for the year ended 31 March 2015

|  | Designated reserves           |                        |                           | Revaluation Reserve | Income and expenditure account |
|--|-------------------------------|------------------------|---------------------------|---------------------|--------------------------------|
|  | Farm quality assurance scheme | Classification service | Total designated reserves |                     |                                |
|  | £                             | £                      | £                         | £                   | £                              |
| Balance at 1 April 2013  | 209,144                       | 771,558                | 980,702                   | 199,799             | 1,432,072                      |
| Net expenditure after tax  |                               |                        |                           |                     | (13,138)                       |
| Other notional charges   |                               |                        |                           |                     | 4,086                          |
| Other comprehensive net expenditure  |                               |                        |                           | 12,715              | 924,000                        |
| Transfer to unrealised revaluation reserve from income and expenditure account |                               |                        |                           | (212,514)           | 212,514                        |
| Transferred to other designated reserves                                       | 31,778                        | (771,558)              | (739,780)                 |                     | 739,780                        |
| <b>Balance at 31 March 2014</b>  | <b>240,922</b>                | <b>-</b>               | <b>240,922</b>            | <b>-</b>            | <b>3,299,314</b>               |
| Net income after tax   |                               |                        |                           |                     | <b>14,139</b>                  |
| Other notional charges   |                               |                        |                           |                     | <b>4,201</b>                   |
| Other comprehensive net income   |                               |                        |                           | <b>1,137</b>        | <b>(94,000)</b>                |
| Transfer from unrealised revaluation reserve to income and expenditure account |                               |                        |                           |                     | -                              |
| Transferred from other designated reserves                                     | <b>(210)</b>                  | -                      | <b>(210)</b>              |                     | <b>210</b>                     |
| <b>Balance at 31 March 2015</b>  | <b>240,712</b>                | <b>-</b>               | <b>240,712</b>            | <b>1,137</b>        | <b>3,223,864</b>               |

The notes on pages 72 to 93 form part of these financial statements.

## **Notes to the financial statements for the year ended 31 March 2015**

### **1 Accounting policies, financial risk management & critical accounting estimates/judgements**

#### **General information**

The entity's principal activities during the year are detailed on pages 16 to 18. 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 2014-15 Government Financial Reporting Manual (FReM) issued by DFP 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 entity 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. This treatment is felt to be appropriate by the Board due to the DARD Minister's decision to retain LMC as an NDPB.

## Notes to the financial statements for the year ended 31 March 2015

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

#### Standards, amendments and interpretations effective in the year ended 31 March 2015 but not relevant

The following standards, amendments and interpretations to published standards are effective for the year ended 31 March 2015 but they are not relevant to the entity's operations:

|   | <b>Effective date</b> |
|---|-----------------------|
| International Accounting Standards (IAS/IFRSs)                      |                       |
| IFRS 10 Investment Entities   | 1 Jan 2014            |
| IFRS 12 Investment Entities   | 1 Jan 2014            |
| IAS 27 Investment Entities  | 1 Jan 2014            |
| IAS 39 Novation of Derivatives and Continuation of Hedge Accounting | 1 Jan 2014            |

#### Standards, amendments and interpretations to existing standards that are not yet effective and have not been early adopted

The IASB and IFRIC have issued the following accounting standards and interpretations with an effective date after the date of these financial statements (i.e. applicable to accounting periods beginning on or after the effective date). The Board does not anticipate that the adoption of these standards and interpretations will have a material impact on the entity's financial statements in the period of initial application:

|   | <b>Effective date</b> |
|---|-----------------------|
| International Accounting Standards (IAS/IFRSs) and amendments |                       |
| IAS 19 Defined Benefit Plans: Employee Contributions          | 1 July 2014           |
| IFRS 14 Regulatory Deferral Accounts                          | 1 Jan 2016            |

## Notes to the financial statements for the year ended 31 March 2015

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

|              |   |            |
|--------------|---|------------|
| IFRS11       | Accounting for Acquisitions of Interests in Joint Operations                          | 1 Jan 2016 |
| IAS16/38     | Clarification of Acceptable Methods of Depreciation and Amortisation                  | 1 Jan 2016 |
| IAS16/41     | Agriculture: Bearer Plants  | 1 Jan 2016 |
| IAS27        | Equity Method in Separate Financial Statements  | 1 Jan 2016 |
| IFRS10/IAS28 | Sale or Contribution of Assets between an Investor and its Associate or Joint Venture | 1 Jan 2016 |
| IFRS10/12    | Investment Entities: Applying the Consolidation Exception                             | 1 Jan 2016 |
| IAS1         | Disclosure Initiative   | 1 Jan 2016 |
| IFRS15       | Revenue from Contracts with Customers   | 1 Jan 2017 |
| IFRS9        | Financial Instruments   | 1 Jan 2018 |

Amendments to the following current accounting standards will be applicable for periods commencing on or after 1 July 2014 arising from the IASB's December 2013 Annual Improvements process: IFRS 1, IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS16, IAS 24, IAS38 and IAS40. The IASB has also published Annual Improvements to IFRS's 2012-2014 cycle which will be applicable for periods commencing on or after 1 January 2016. The standards which will be amended are: IFRS5, IFRS7, IAS19 and IAS34.

The Board is currently considering the implications of these amendments for future accounting periods.

## **Notes to the financial statements for the year ended 31 March 2015**

### **1 Accounting policies, financial risk management & critical accounting estimates/judgements (continued)**

#### **Income**

Income comprises the fair value of the consideration received or receivable in respect of levies, NIFQAS and 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.

## Notes to the financial statements for the year ended 31 March 2015

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

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 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  | - | 2.85%  |
| Office furniture, fixtures and fittings, computers | - | 20.00% |

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

## **Notes to the financial statements for the year ended 31 March 2015**

### **1 Accounting policies, financial risk management & critical accounting estimates/judgements (continued)**

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. 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.



## **Notes to the financial statements for the year ended 31 March 2015**

### **1 Accounting policies, financial risk management & critical accounting estimates/judgements (continued)**

#### ***(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.

#### **Other financial liabilities at amortised costs (financial instruments)**

##### ***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.

## **Notes to the financial statements for the year ended 31 March 2015**

### **1 Accounting policies, financial risk management & critical accounting estimates/judgements (continued)**

#### **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.

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

## Notes to the financial statements for the year ended 31 March 2015

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

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.

#### 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.

## Notes to the financial statements for the year ended 31 March 2015

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

#### (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.

### 2 Income and expenditure by activity

|                       | Income<br>from<br>activities<br>£ | Expenditure<br>£ | Operating<br>deficit<br>2015<br>£ | Total<br>2014<br>£ |
|-----------------------|-----------------------------------|------------------|-----------------------------------|--------------------|
| Levy and other income | 1,047,721                         | 1,047,229        | 492                               | (60,273)           |
| Rural payments agency | 60,487                            | 57,063           | 3,424                             | 3,550              |
| NIFQAS income         | 1,104,390                         | 1,105,724        | (1,334)                           | 30,200             |
| <b>Total</b>          | <b>2,212,598</b>                  | <b>2,210,016</b> | <b>2,582</b>                      | <b>(26,523)</b>    |

## Notes to the financial statements for the year ended 31 March 2015

### 3 Staff numbers and related costs

|                                       | Permanently<br>employed<br>staff<br>£ | Others<br>£   | Commission<br>members<br>£ | 2015<br>£      | 2014<br>£ |
|---------------------------------------|---------------------------------------|---------------|----------------------------|----------------|-----------|
| Wages and salaries                    | 349,505                               | 29,290        | 51,245                     | <b>430,040</b> | 413,744   |
| Social security costs                 | 23,227                                | 1,475         | 2,390                      | <b>27,092</b>  | 26,744    |
| Pension costs – defined benefit plans | 22,946                                | 2,650         | -                          | <b>25,596</b>  | 119,943   |
|                                       | <b>395,678</b>                        | <b>33,415</b> | <b>53,635</b>              | <b>482,728</b> | 560,431   |

Included in the above costs is £73,000 relating to employer pension costs as detailed in Note 15.

### Average numbers of persons employed by the Commission during the year were:

|  | Permanently<br>employed<br>staff | Others   | Commission<br>members | Number    | Number |
|--|----------------------------------|----------|-----------------------|-----------|--------|
| Commission members                         | -                                | -        | 6                     | 6         | 6      |
| Administration (including levy collection) | 17                               | 2        | -                     | 19        | 17.5   |
|  | <b>17</b>                        | <b>2</b> | <b>6</b>              | <b>25</b> | 23.5   |

### 4 Other operating charges

|                                      | 2015<br>£        | 2014<br>£   |
|--------------------------------------|------------------|-------------|
| Information services                 | <b>14,617</b>    | 10,236      |
| Market development and advertising   | <b>1,493,985</b> | 1,386,211   |
| Administration costs:                |                  |             |
| Actuarial costs of pension scheme    | <b>23,000</b>    | 64,000      |
| Office expenses                      | <b>147,665</b>   | 185,403     |
| Aggregate travelling and subsistence | <b>21,344</b>    | 17,986      |
|                                      | <b>1,700,611</b> | 1,663,836   |
| <b>Office expenses include:</b>      | <b>2015</b>      | <b>2014</b> |
|                                      | <b>£</b>         | <b>£</b>    |
| Notional charges                     | <b>4,201</b>     | 4,086       |
| Auditors' remuneration - for audit   | <b>10,000</b>    | 10,000      |

## Notes to the financial statements for the year ended 31 March 2015

### 5 Finance income and costs

|                            | 2015<br>£     | 2014<br>£ |
|----------------------------|---------------|-----------|
| <b>Interest income:</b>    |               |           |
| Short-term bank deposits   | <b>17,563</b> | 32,872    |
| <b>Finance costs - net</b> | <b>17,563</b> | 32,872    |

#### Short-term bank deposits

Short-term bank deposits earned interest at a rate of 1.05% over the financial year.

### 6 Income tax charge

|  | 2015<br>£    | 2014<br>£ |
|--|--------------|-----------|
| <b>Current income tax:</b>   |              |           |
| Current UK corporation tax at 20% (2014: 20%)                          | <b>5,739</b> | 8,826     |
| Additional UK corporation tax for previous year(s) as agreed with HMRC | <b>267</b>   | 10,661    |
| <b>Income tax charge</b>   | <b>6,006</b> | 19,487    |

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% (2014: 20%). The differences are reconciled below:

|   | 2015<br>£     | 2014<br>£ |
|---|---------------|-----------|
| <b>Surplus before income tax</b>  | <b>20,145</b> | 6,349     |
| Tax calculated at the UK small companies rate of corporation tax of 20% (2014: 20%) | <b>4,029</b>  | 1,270     |
| Effect of:  |               |           |
| Deficit not taxable   | <b>1,710</b>  | 7,556     |
| <b>Income tax charge</b>  | <b>5,739</b>  | 8,826     |

The entity is subject to income tax on any surplus on rural payments agency activities and on its rental and interest income.

## Notes to the financial statements for the year ended 31 March 2015

### 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 three reportable operational segments, levy funded activities, NIFQAS and agency services.

The segment information provided to the Board for the reportable segments for the year ended 31 March 2015 is as follows:

|  | Levy Funded<br>Activities | NIFQAS       | Rural<br>Payments<br>Agency | Other    | Total           |
|--|---------------------------|--------------|-----------------------------|----------|-----------------|
|  | £                         | £            | £                           | £        | £               |
| Income from external parties                       | 987,030                   | 1,104,390    | 60,487                      | 60,691   | 2,212,598       |
| Interest Received                                  | 16,158                    | 1,405        | -                           | -        | 17,563          |
| Expenditure (excluding notional costs)             | (1,034,337)               | (1,105,724)  | (57,063)                    | (60,691) | (2,257,815)     |
| Operating surplus before tax                       | (31,149)                  | 71           | 3,424                       | -        | (27,654)        |
| Income tax expense                                 | (5,725)                   | (281)        | -                           | -        | (6,006)         |
| <b>Surplus before notional costs and after tax</b> | <b>(36,874)</b>           | <b>(210)</b> | <b>3,424</b>                | <b>-</b> | <b>(33,660)</b> |
| Adjustments in respect of notional costs:          |                           |              |                             |          |                 |
| Internal audit                                     |                           |              |                             |          | (4,201)         |
| Actuarial costs of pension scheme                  |                           |              |                             |          | 52,000          |
| <b>Total deficit reported for year</b>             |                           |              |                             |          | <b>14,139</b>   |
| Total assets less liabilities                      | 1,759,162                 | 240,712      | 1,465,839                   | -        | 3,465,713       |
| Depreciation                                       | 11,681                    | 8,176        | 1,820                       | 5,000    | 26,677          |

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 2015

### 8 Property, plant and equipment

|                                    | Freehold<br>Land<br>£ | Property<br>Buildings<br>£ | Exhibition<br>equipment,<br>fixtures, fittings<br>and office<br>furniture<br>£ | Computers<br>£ | Total<br>£       |
|------------------------------------|-----------------------|----------------------------|--|----------------|------------------|
| <b>Cost or valuation</b>           |                       |                            |  |                |                  |
| At 1 April 2013                    | 402,885               | 470,475                    | 256,007  | 253,845        | <b>1,383,212</b> |
| Additions                          | -                     | -                          | -  | 43,426         | <b>43,426</b>    |
| Disposals                          | -                     | -                          | -  | -              | -                |
| Indexation                         | -                     | -                          | -  | -              | -                |
| <b>At 31 March 2014</b>            | <b>402,885</b>        | <b>470,475</b>             | <b>256,007</b>   | <b>297,271</b> | <b>1,426,638</b> |
| <b>Depreciation</b>                |                       |                            |  |                |                  |
| At 1 April 2013                    | -                     | 12,715                     | 255,111  | 232,764        | <b>500,590</b>   |
| Provided during the year           | -                     | 13,069                     | 896  | 15,788         | <b>29,753</b>    |
| Eliminated in respect of disposals | -                     | -                          | -  | -              | -                |
| Indexation                         | -                     | (12,715)                   | -  | -              | <b>(12,715)</b>  |
| <b>At 31 March 2014</b>            | <b>-</b>              | <b>13,069</b>              | <b>256,007</b>   | <b>248,552</b> | <b>517,628</b>   |
| <b>Net book amount</b>             |                       |                            |  |                |                  |
| <b>At 31 March 2014</b>            | <b>402,885</b>        | <b>457,406</b>             | <b>-</b>   | <b>48,719</b>  | <b>909,010</b>   |
| At 31 March 2013                   | 402,885               | 457,760                    | 896  | 21,081         | 882,622          |
| <b>Cost or valuation</b>           |                       |                            |  |                |                  |
| At 1 April 2014                    | 402,885               | 470,475                    | 256,007  | 297,271        | <b>1,426,638</b> |
| Additions                          | -                     | -                          | -  | 9,531          | <b>9,531</b>     |
| Disposals                          | -                     | -                          | (3,223)  | (26,025)       | <b>(29,248)</b>  |
| Revaluation                        | 47,115                | (70,475)                   | -  | -              | <b>(23,360)</b>  |
| <b>At 31 March 2015</b>            | <b>450,000</b>        | <b>400,000</b>             | <b>252,784</b>   | <b>280,777</b> | <b>1,383,561</b> |
| <b>Depreciation</b>                |                       |                            |  |                |                  |
| At 1 April 2014                    | -                     | 13,069                     | 256,007  | 248,552        | <b>517,628</b>   |
| Provided during the year           | -                     | 11,428                     | -  | 15,249         | <b>26,677</b>    |
| Eliminated in respect of disposals | -                     | -                          | (3,223)  | (26,025)       | <b>(29,248)</b>  |
| Indexation                         | -                     | (24,497)                   | -  | -              | <b>(24,497)</b>  |
| <b>At 31 March 2015</b>            | <b>-</b>              | <b>-</b>                   | <b>252,784</b>   | <b>237,776</b> | <b>490,560</b>   |
| <b>Net book amount</b>             |                       |                            |  |                |                  |
| <b>At 31 March 2015</b>            | <b>450,000</b>        | <b>400,000</b>             | <b>-</b>   | <b>43,001</b>  | <b>893,001</b>   |
| At 31 March 2014                   | 402,885               | 457,406                    | -  | 48,719         | 909,010          |



## Notes to the financial statements for the year ended 31 March 2015

### 8 Property, plant and equipment (continued)

Depreciation expense of £26,677 (2014: £29,753) has been fully charged to expenditure.

The entity's freehold property 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 will be subject to annual indexation using relative price indices.

### 9 Trade and other receivables

|   | 2015           | 2014    |
|---|----------------|---------|
|   | £              | £       |
| Levies (statutory)                        | <b>151,621</b> | 157,288 |
| Rural payments agency receivable          | <b>31,824</b>  | 25,608  |
| Farm quality assurance scheme receivables | <b>90,400</b>  | 102,045 |
| Trade debtors                             | -              | 4,992   |
| Prepayments and accrued income            | <b>55,322</b>  | 56,375  |
|   | <b>329,167</b> | 346,308 |

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

|                          | 2015             | 2014      |
|--------------------------|------------------|-----------|
|                          | £                | £         |
| Cash at bank and on hand | <b>1,530,109</b> | 1,661,807 |

## Notes to the financial statements for the year ended 31 March 2015

### 11 Short term bank deposits

|                          | 2015             | 2014      |
|--------------------------|------------------|-----------|
|                          | £                | £         |
| Short term bank deposits | <b>1,707,759</b> | 1,685,843 |

### 12 Trade and other payables

|                                    | 2015           | 2014    |
|------------------------------------|----------------|---------|
|                                    | £              | £       |
| Accruals                           | <b>303,876</b> | 408,647 |
| Trade creditors                    | <b>201</b>     | 131     |
| Other taxation and social security | <b>47,507</b>  | 39,467  |
|                                    | <b>351,584</b> | 448,245 |

### 13 Related party transactions

The Department of Agriculture and Rural Development (DARD) is regarded as a related party. During the year, LMC has had various material transactions with DARD. LMC has also had a number of material transactions with the Rural Payments Agency.

LMC is a one-eighth owner of Northern Ireland Food Chain Certification (NIFCC) and is represented on the board of directors. During the year LMC provided accounting, administration and human resources services to NIFCC valued at £66,115 (2014:£75,026). NIFCC provided LMC with inspection services and marketing information during the year valued at £813,549 (2014: £730,788). The amount due to NIFCC at 31 March 2015 was £67,243 (2014: £80,738). NIFCC is operated as a not-for-profit organisation and therefore no NIFCC reserves are recorded in LMC's financial statements.

In addition LMC entity provided office space and administration services to Northern Ireland Meat Exporters Association valued at £ 5,449 (2014: £4,777). The amount due from NIMEA at 31 March 2015 was £618 (2014: 4,992).

## Notes to the financial statements for the year ended 31 March 2015

### 13 Related party transactions (continued)

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

|                 |  |
|-----------------|--|
| Mr P O'Rourke   | Chairman of Parkinson's Association of Ireland   |
| Mr P McIlroy    | Company Secretary for Bourlion Limited   |
| Mr I Mark       | Managing Partner of Foyle Hovercrafting and Leisure<br>Member of Royal Ulster Agricultural Society Council<br>Board Member of Causeway Coast & Glens Tourism Partnership   |
| Mrs M McCormack | Farm Liaison Officer with Camowen Partnership Carrickmore<br>Member of Lakeland Dairies' Producer Committee<br>Vice-Chair of NI Agricultural Consultants Association<br>Member of Agri-Search<br>Member of Omagh District Council Local Action Group for RDP<br>Member of Omagh Forum for Rural Associations |
| Mr P O'Neill    | Chief Executive of Northern Ireland Meat Exporters' Association<br>Chairman of Northern Ireland Food Chain Certification Limited   |
| Mr K Sharkey    | Director of Countryside Services<br>Director of Glenfarm Holdings<br>Director of NFU Mutual  |

## Notes to the financial statements for the year ended 31 March 2015

### 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.

As at 31 March the entity had the following balances with government entities

|   | Debtors:<br>amounts<br>falling due<br>within one<br>year<br><br>£ | Debtors:<br>amounts<br>falling due<br>after more<br>than one<br>year<br><br>£ | Creditors:<br>amounts<br>falling due<br>within one<br>year<br><br>£ | Creditors:<br>amounts<br>falling due<br>after more<br>than one<br>year<br><br>£ |
|---|---|---|---|---|
| Balance with other central government bodies        | 31,824  | -   | 53,246  | -   |
| Balances with local authorities                     | -   | -   | -   | -   |
| Balances with NHS trusts                            | -   | -   | -   | -   |
| Balances with public corporations and trading funds | -   | -   | -   | -   |
| Balances with bodies external to government         | 297,343   | -   | 304,077   | 637,000   |
| <b>At 31 March 2015</b>                             | <b>329,167</b>  | <b>-</b>  | <b>357,323</b>  | <b>637,000</b>  |
|   | Debtors:<br>amounts<br>falling due<br>within one<br>year<br><br>£ | Debtors:<br>amounts<br>falling due<br>after more<br>than one<br>year<br><br>£ | Creditors:<br>amounts<br>falling due<br>within one<br>year<br><br>£ | Creditors:<br>amounts<br>falling due<br>after more<br>than one<br>year<br><br>£ |
| Balance with other central government bodies        | 25,608  | -   | 59,558  | -   |
| Balances with local authorities                     | -   | -   | -   | -   |
| Balances with NHS trusts                            | -   | -   | -   | -   |
| Balances with public corporations and trading funds | -   | -   | -   | -   |
| Balances with bodies external to government         | 320,700   | -   | 408,174   | 595,000   |
| <b>At 31 March 2014</b>                             | <b>346,308</b>  | <b>-</b>  | <b>467,732</b>  | <b>595,000</b>  |

## Notes to the financial statements for the year ended 31 March 2015

### 14 Financial instruments

The entity's financial instruments are classified as follows:

| <b>Assets and liabilities</b> | <b>Category of financial instrument</b>       |
|-------------------------------|---|
| 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 some ninety thousand members. It provides a final salary (i.e. defined benefits) pension scheme for eligible employees and other members of the scheme. This is a tax approved scheme which provides benefits on reckonable service and the pensionable pay in the year to retirement or either of the two previous years if higher, at a normal retirement age of 65. As from 1 April 2009 benefits accrue at a rate of 1/60<sup>th</sup> of pensionable pay for each year of reckonable service. Employees pay contributions of between 5.5% and 7.5% of pensionable earnings depending on the pay band the pensionable pay falls into. All pensions are reviewed annually in April under the Pension Increase Legislation and increased in line with inflation. On death of a member, surviving spouses, civil partners or, subject to certain qualifying conditions, nominated co-habiting partners pension and pensions for eligible children are payable. 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 2013 which indicated that the scheme remains in deficit. The employer contribution rates for LMC set by the Actuary for the next year will be 20%.

## Notes to the financial statements for the year ended 31 March 2015

### 15 Pension liabilities (continued)

An actuarial valuation of the scheme using the projected unit basis was carried out at 31 March 2015 by Aon Hewitt Ltd. The principal assumptions used were as follows:

|                          | <b>2015</b> | 2014 | 2013 |
|--------------------------|-------------|------|------|
|                          | %           | %    | %    |
| Future salary increases  | <b>3.3</b>  | 3.9  | 5.2  |
| Discount rate            | <b>3.2</b>  | 4.3  | 4.5  |
| Inflation rate           | <b>1.8</b>  | 2.4  | 2.8  |
| Future pension increases | <b>1.8</b>  | 2.4  | 2.8  |

The mortality assumptions used were as follows:

|  | <b>2015</b> | 2014  | 2013  |
|--|-------------|-------|-------|
|  | Years       | years | years |
| Longevity at age 65 for current pensioners |             |       |       |
| - Men                                      | <b>22.2</b> | 22.1  | 23.2  |
| - Women                                    | <b>24.7</b> | 24.6  | 26.1  |
| Longevity at age 65 for future pensioners  |             |       |       |
| - Men                                      | <b>24.4</b> | 24.3  | 25.2  |
| - Women                                    | <b>27.0</b> | 26.9  | 28.1  |

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

|                                     | Value at<br><b>2015</b> | Value at<br>2014 | Value at<br>2013 |
|-------------------------------------|-------------------------|------------------|------------------|
|                                     | £                       | £                | £                |
| Equity                              | <b>6,592,000</b>        | 6,037,000        | 5,978,000        |
| Bonds                               | <b>1,101,000</b>        | 976,000          | 901,000          |
| Property                            | <b>1,138,000</b>        | 911,000          | 609,000          |
| Cash                                | <b>181,000</b>          | 212,000          | 372,000          |
| Other                               | <b>18,000</b>           | -                | 47,000           |
| Total market value of assets        | <b>9,030,000</b>        | 8,136,000        | 7,907,000        |
| Present value of scheme obligations | <b>9,667,000</b>        | (8,731,000)      | (9,346,000)      |
| <b>Deficit in scheme</b>            | <b>(637,000)</b>        | (595,000)        | (1,439,000)      |

## Notes to the financial statements for the year ended 31 March 2015

### 15 Pension liabilities (continued)

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

|                                  | 2015<br>£        | 2014<br>£        |
|----------------------------------|------------------|------------------|
| At 1 April                       | 8,136,000        | 7,907,000        |
| Interest Income on scheme assets | 346,000          | 350,000          |
| Contributions by members         | 20,000           | 20,000           |
| Contributions by employer        | 148,000          | 56,000           |
| Remeasurement of gains on assets | 709,000          | 123,000          |
| Benefits paid                    | (329,000)        | (320,000)        |
| <b>At 31 March</b>               | <b>9,030,000</b> | <b>8,136,000</b> |

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

|                          | 2015<br>£        | 2014<br>£        |
|--------------------------|------------------|------------------|
| At 1 April               | 8,731,000        | 9,346,000        |
| Current service cost     | 73,000           | 72,000           |
| Interest cost            | 369,000          | 414,000          |
| Contributions by members | 20,000           | 20,000           |
| Actuarial losses/(gains) | 803,000          | (801,000)        |
| Past Service Costs       | -                | -                |
| Losses on Curtailments   | -                | -                |
| Benefits paid            | (329,000)        | (320,000)        |
| <b>At 31 March</b>       | <b>9,667,000</b> | <b>8,731,000</b> |

Analysis of amount recognised in the income and expenditure account

|  | 2015<br>£     | 2014<br>£      |
|--|---------------|----------------|
| Current service cost                     | 73,000        | 72,000         |
| Interest cost                            | 369,000       | 414,000        |
| Expected return on pension scheme assets | (346,000)     | (350,000)      |
| Past Service Costs                       | -             | -              |
| Losses on Curtailments                   | -             | -              |
| <b>Total operating charge</b>            | <b>96,000</b> | <b>136,000</b> |

## Notes to the financial statements for the year ended 31 March 2015

### 15 Pension liabilities (continued)

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

|   | 2015<br>£        | 2014<br>£ |
|---|------------------|-----------|
| Actual return less expected return on pensions scheme assets                              | <b>709,000</b>   | 123,000   |
| Changes in assumptions underlying the present value of the scheme liabilities             | <b>(803,000)</b> | 801,000   |
| Actuarial gain/(loss) recognised in the statement of recognised income and expenses       | <b>(94,000)</b>  | 924,000   |
| Cumulative actuarial losses recognised in the statement of recognised income and expenses | <b>(749,000)</b> | (655,000) |

History of experience gains and losses

|  | 2015<br>£          | 2014<br>£   | 2013<br>£   | 2012<br>£   | 2011<br>£   |
|--|--------------------|-------------|-------------|-------------|-------------|
| Defined benefit obligation   | <b>(9,667,000)</b> | (8,731,000) | (9,346,000) | (8,287,000) | (7,540,000) |
| Plan assets  | <b>9,030,000</b>   | 8,136,000   | 7,907,000   | 6,959,000   | 6,996,000   |
| Deficit  | <b>(637,000)</b>   | (595,000)   | (1,439,000) | (1,328,000) | (544,000)   |
| Experience adjustments on plan assets                                      | <b>709,000</b>     | 123,000     | 797,000     | (428,000)   | 397,000     |
| Experience adjustments on plan liabilities                                 | <b>89,000</b>      | 250,000     | 13,000      | (109,000)   | 822,000     |
| Total amount recognised in the statement of recognised income and expenses | <b>(94,000)</b>    | 924,000     | (101,000)   | (780,000)   | 1,843,000   |

Analysis of projected amount to be charged to operating profit for the year to 31 March 2016

|   | £             | % of pay    |
|---|---------------|-------------|
| Projected Current Service Cost                            | 69,000        | 21.4        |
| Net Interest on the Net Defined Benefit Liability (Asset) | 18,000        | 5.5         |
| Past Service Cost   | -             | -           |
| Losses/(Gains) on Curtailments and Settlements            | -             | -           |
| <b>Total</b>  | <b>87,000</b> | <b>26.9</b> |

#### Date of authorisation for issue

The Accounting Officer authorised the issue of these financial statements on 25 June 2015.











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