Livestock and Meat Commission for Northern Ireland

Annual Report and Accounts
for the year ended 31 March 2012

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

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Chairman's Statement

I am pleased to present the forty fifth Annual Report and Accounts of the Livestock and Meat Commission for Northern Ireland (LMC). This report covers the period 1 April 2011 to 31 March 2012.

The year reported on was particularly busy for LMC with major restructuring following the review of the organisation which was published towards the end of the previous reporting year, and the need to reflect the changing demands made of LMC by our levy paying stakeholders. In a year of many changes the most significant was the ending of two decades of LMC delivering a classification service for our industry, being replaced with VIA. I wish to pay particular tribute to former staff members for their assistance in the transition. This large scale fundamental review/restructuring of LMC which began last year was concluded and we are now in a very strong position focussing on servicing the needs of the red meat sector in Northern Ireland. This process involved a considerable level of consultation with LMC's stakeholders and I as Chairman wish to thank all those involved for their contributions and ideas which have resulted in a successful review process. I believe that the fundamental review process undertaken puts LMC in a much better position to meet the needs of our levy paying stakeholders and service the needs of DARD, our sponsoring Government department.

The red meat industry continues to operate in a challenging economic environment given that the UK is facing into a double dip recession and the crisis within the Euro zone. Despite these challenges however, both beef and lamb prices moved up again at farm gate level and red meat consumption has been maintained. Of course we are aware of ever rising costs eroding much of the gains, but it is well recognised that our industry is in a much better place than it was just a few years ago. Our industry must continue to adapt to meeting the challenge of maintaining consumption and to be at the forefront in discovering new opportunities that arise in the sector.

Returning to the affairs of LMC, I wish to express my gratitude to the members of the Board for their commitment and dedication to the work of LMC. I especially wish to thank Mr. Campbell Tweedie for his service to the Board of LMC and I welcome Mr. Ian Mark who was appointed to the Board during the year. I also would like to thank Mr. David Rutledge who retired in May 2011 as Chief Executive after many years service to LMC and the industry

LMC has also appointed a new Chief Executive, Mr. Ian Stevenson. Ian was appointed Chief Executive on 3 October 2011, before which he had been Industry Development Manager with

LMC since January 2009. He has worked in the agri-food industry for 19 years, including with Moy Park from 1995 to 1999. He then worked for the Ulster Farmers Union as a Policy Officer for Cattle, Sheep, Hill Farming and Animal Health and as a Senior Policy Officer for Dairy and Animal Health. I and the Board look forward to working closely with Ian in the time ahead as the remodelled LMC continues to deliver the needs of our stakeholders.

On behalf of the Board I want to express our appreciation to the management and staff of LMC who have responded magnificently to the challenges presented by the substantial change in the operation of LMC and I want also to extend a special sincere thank you to all the staff that have retired or left the organisation as part of the restructuring during the year. I also wish to express our thanks to the Agriculture and Rural Development Minister and to her officials in DARD for their support and guidance in a year that has brought many changes to LMC as it adapted to deliver on the needs of our industry stakeholders and for assisting LMC to enhance its contribution to the red meat sector going forward.

Finally I want to record my appreciation to all of our levy payers and funders whose financial contributions and continued support enabled us to deliver the ambitious work programme that LMC has completed during the past year.

Pat O'Rourke

Patrick O'Rourke
Chairman
20 June 2012

Chief Executive's Review

The Year in Review

Economic uncertainty continued to prevail throughout the key markets for NI beef and sheep meat throughout the year. The UK economy drifted back into recession in early 2012 amid concerns about the impact of the government's austerity measures. EU backed austerity measures have also been imposed in key EuroZone markets and there are ongoing concerns about the solvency of several major EU economies. Nonetheless, beef and lamb demand in GB has been robust and farmgate prices reached unprecedented levels during the year.

With upward pressure on oil prices, rising input costs were a major issue for beef and lamb producers with feed, fuel and fertiliser prices rising and remaining high over the course of the year. As a result profitability has remained under pressure despite the stronger farmgate prices.

Stronger farmgate prices

Limited supply continued to be a key feature of the international red meat market during the year. Meanwhile, the EU was a net exporter of beef in 2011 reflecting weakening demand on the European market and strong import demand in export markets. By the last week of the financial year, average EU R3 heifer prices were 383p/kg, 12% higher year-on-year.

The availability of cattle for slaughter in Northern Ireland was eight per cent lower in 2011/12, with a particularly sharp reduction in the prime cattle kill. As a consequence of this and ongoing developments in the international trade, NI prime cattle prices were 18 per cent higher at an average of 306p/kg over the course of the year. The average cull cow price was 242p/kg in 2011/12, 24 per cent higher than the previous year. The sheep trade remained robust in 2011/12. The average weekly sheep price in NI was 12 per cent higher than 2010/11 levels at 408p/kg[1].

Rising costs of production

High production costs remain problematic for NI producers and despite higher farmgate prices, profitability remained an issue. The rising oil price has generated upward pressure on the key farming inputs; feed, fuel and fertiliser particularly in the first half of the financial year. Although the level of agri-inflation stabilised somewhat in the second half of the year, input costs remain high, counterbalancing at least some of the benefits associated with stronger producer prices.

[1] Combined liveweight and deadweight

Consolidation in the suckler herd

Despite concerns about profitability, producer confidence in the sector was reflected in an increase in beef cow numbers. In June 2011, suckler cow numbers were four per cent higher compared to 2010, the second consecutive annual increase. Consequently beef-sired calf births were six per cent higher over the last year. Dairy-sired calf births increased by nine per cent compared to last year.

The long term decline in breeding ewe numbers has finally ended. In June 2011 breeding ewe numbers were two per cent higher compared to 2010, an indication that farmgate sheep prices reached levels that encouraged producers to reinvest in the sector.

CAP Reform

During the year the European Commission published its initial formal legislative proposals for the reform of the Common Agricultural Policy. These proposals are wide-ranging and if implemented as proposed are likely to have significant implications for the NI red meat industry. LMC identified reservations about several aspects of these proposals in its response to a DARD consultation on the matter in the final quarter. Many of these reservations were shared by industry and government.

The CAP reform process will continue throughout 2012-13 and it is inevitable that the EC proposals will evolve and be shaped by input from individual member states. The extent to which these proposals change and develop over the course of the next year will have a significant impact in determining how producers' and processors develop their businesses over the next 10 years.

Decrease in Cattle Slaughterings

There was an eight per cent decline in the number of cattle slaughtered in NI last year. This decline was driven primarily by the gradual decline in the size of the NI suckler herd that has taken place over recent years. Reduced imports from ROI and increased exports of cattle also contributed to this decline. During the year the average carcase weight was slightly greater than the previous year, meaning that the decline in NI beef production was less pronounced at seven per cent.

Reduced sheep slaughterings

On a global basis sheep supplies remained constrained in 2011/12. NI sheep slaughterings were particularly low in the first half of the year because of increased live exports to the Republic of Ireland since July 2010. Over the year as a whole, NI sheep slaughterings declined by three per cent with a similar level of decline in sheepmeat production.

The availability of sheep for slaughter increased generally across the island of Ireland in the second half of the year. A recovery in NI production was partly led by a reduction in the proportion of NI lambs exported for direct slaughter and in the final quarter of the year ending March 2012 the NI lamb kill was 24 per cent higher year-on-year.

Stable consumer demand for beef

GB remains the foremost market for Northern Ireland beef and despite the worsening macro-economic conditions, consumer demand remained robust over the year as a whole. Total consumer expenditure on beef was up by five per cent, a consequence of a five per cent increase in average retail prices with volume sales unchanged. As the year progressed the rate of increase in retail prices accelerated and in the final quarter, average beef prices were 12 per cent higher than the previous year. As a consequence retail sales of beef were seven per cent lower with expenditure on beef continuing to rise. Volumes of mince and stewing products remained stable over the course of the entire year with reduced sales of more valuable roasting, frying and grilling products.

Lamb consumption in GB fell sharply in 2011/12 with higher prices inevitably leading to reduced consumption and more lamb exported to the continent. Over the course of the year retail lamb prices in GB averaged £8.70/kg, 15 per cent higher than last year and as a consequence, retail volumes fell by 16 per cent. The rate of price increase slowed as the year progressed and in the last quarter, prices were nine per cent higher than the previous year with volume sales down by 10 per cent. Over the entire year lamb expenditure fell by just two per cent. (Kantar data for 52 weeks ending 21 March 2012).

LMC Review

As reported in last year's annual report the Agriculture and Rural Development Minister announced in her statement on the conclusion of the LMC review process that an Implementation Group had been set up to identify, and to initiate a reform programme that would realign LMC with the needs of its stakeholders and future activities. The LMC Review Implementation Group which comprised key representatives from the LMC Board, LMC Executive Management and

DARD met on four occasions to consider and take forward the key issues outlined below, progress against which is summarized under each bullet point.

- A re-examination of marketing initiatives to determine whether they could be made compatible with State Aid Rules.

  During 2011/12, LMC, in response to the Strategic Review and in consultation with its stakeholders, refocused and reprioritised the services it provides to industry and government to best meet their needs going forward. LMC services can now be categorised into four broad strategic areas of work, namely: Provision of the Northern Ireland Beef & Lamb Farm Quality Assurance Scheme (FQAS); Market Information Services; Education & Consumer Promotion Services, and Industry Development Services. Any initiatives currently undertaken in each of these areas of work by LMC that may give rise to State Aid Rules compatibility concerns are discussed and clarified in advance with the DARD European Policy Branch. No significant State Aid issues arose during 2011/12. Highlights of LMC performance in each of the four strategic work areas outlined above are reported later in this annual report.

- The options for dealing with LMC's pension deficit.

  Options for addressing the key issue of LMC's pension deficit have yet to be concluded and are interlinked with the application for re-classification of LMC's accounts.

- For DARD to work on making an application for a re-classification of the LMC's accounts which, if successful, would provide the LMC with more in-year flexibility.

  An application for re-classification of the LMC's accounts has been made by DARD to the Department of Finance and Personnel and the outcome of this application is currently awaited.

- An examination of whether the significant additional costs associated with LMC being part of Government (rather than private sector) could be reduced.

  LMC's status as a Non Departmental Public Body and its corporate governance and accountability arrangements with government remain unchanged. LMC has however implemented a significant reorganisation of its management structures to realign with LMC's priority work areas going forward and to reduce overhead costs.

Human Resources

2011-12 has been a year of consolidation and transition within the organisation where professional services have continued to be provided throughout an extremely challenging period for the staff. Following on from these transitional challenges 2012-13 will be a year of capacity building for LMC. Two additional personnel will be recruited to the LMC staff team to help meet the ambitious programme of activity that LMC is planning to deliver for its stakeholders going forward. Once these positions are recruited the organisation should be at a sustainable strength to support its forward plans and to allow LMC to meet the full and growing suite of public sector and legislative compliance demands associated with running the organisation as an NDPB sponsored by DARD.

Without the day to day commitment of its management and administrative staff LMC could not provide the high level of professional service which is required by the beef and sheep meat industry and by DARD. The Board of the Commission and its Chief Executive are particularly grateful to all members of staff for their dedicated efforts in managing, maintaining, growing and administering the activities of LMC throughout the year.

Staff Absence

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

	2010/2011	**2011/12**
Percentage days lost through sickness absence	3.34%	3.2%
Cost of absence	£20,001	£12,482
Percentage of annual staff costs	1.36%	3.00%

Equality and Good Relations

It is LMC policy in carrying out its activities, both as an employer and as a provider of services to the industry, to have due regard to the promotion of equality of opportunity between persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation; between men and women generally; between persons with a disability and persons without disability; and between persons with dependants and persons without dependants.

In addition, without prejudice to its obligations under the above, LMC, in carrying out its functions, shall have regard to the desirability of promoting good relations between persons of different religious belief, political opinion or racial group. The aim of this policy is to develop the relationships and structures for our sector that seek to promote respect, equity and trust, and embrace diversity as appropriate to the industry we serve.

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 such as maintaining a contract to recycle various waste products (cans, paper, card and plastic).

Financial Review

The accounts for the year are set out on pages 54 to 76. Income from LMC activities for the year of account declined by £869k, mainly as a result of LMC's cessation of carcase classification activities at the end of March 2011. Despite the reduction in income LMC recorded a reported surplus for the year ending 31 March 2012, including notional adjustments, of £252,910 as set out in the income and expenditure account on page 54. A budgeted surplus for the year was anticipated in the approved 2011/12 Business Plan. A detailed analysis of the individual activities of LMC before the notional adjustments is shown on page 68 at Note 7. The pension scheme assets of £6.96 million have shown a marginal reduction in value of £37,000 at year end compared to last year. The pension scheme obligation has however significantly increased at year end to £8.29 million from £7.54 million at the previous year end resulting in an increased pension deficit. This movement in our pension deficit is reflected in the balance sheet on page 55 which shows a net reduction of £467k from the previous year to £3.134 million at year end. Despite the movement in our pension deficit LMC remains in a strong position financially to deliver a full, ambitious and efficient programme of activity for the benefit of all of its levy funders and stakeholders.

Ian Stevenson
Chief Executive
20 June 2012

Summary of Achievement of Core Objectives 2011/12

Organisational Purpose

The Livestock Marketing Commission for Northern Ireland was established on 1 August 1967, under the Livestock Marketing Commission Act (Northern Ireland) 1967 (the Act) for the benefit of the livestock and livestock products industries in Northern Ireland. Under Article 8 of the Agriculture (Miscellaneous Provisions) (Northern Ireland) Order 1994 the Livestock Marketing Commission for Northern Ireland was renamed the Livestock and Meat Commission for Northern Ireland. The Commission (LMC) is an executive non-departmental public body sponsored by the Department of Agriculture and Rural Development (DARD). The Act tasks LMC with the general duty of examining and recommending improvements in the marketing of livestock and livestock products. To defray LMC's expenses, the Act provides for the imposition of levies on livestock slaughtered in or exported from Northern Ireland.

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.

Mission

Our mission is to support, examine & inform the marketing and development of the Northern Ireland beef and sheep meat industry

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 five Strategic Objectives:

a) assist the industry to achieve sustainable, long-term profitability through all levels of the supply chain;
b) develop effective and efficient evidence-based communications with industry stakeholders;
c) assist the Northern Ireland industry in achieving optimum competitive advantage within domestic and export markets;
d) provide information support to the Northern Ireland beef and sheep meat industry; and
e) provide an independent support service to Government and industry stakeholders on commercial terms where appropriate

Summary of Achievement of Strategic Objectives – 2011/12

Supporting these Strategic Objectives are Business Objectives for the financial year 2011/12. Highlights in our performance against the year's business objectives in contributing to the achievement of our strategic objectives are set out in the table below. In order to monitor these objectives individual targets were identified. Of the targets which are partially achieved, or not achieved, none had any material implications for delivery of the LMC business plan, nor did they compromise LMC's legal or legislative obligations. For further information on the monitoring of 2011/12 business objectives please contact LMC.

The table below sets out LMC performance against targets in support of LMC Strategic Objectives for the year 2011/12

LMC Strategic Objective	Assessment of Achievement
a. assist the industry to achieve sustainable, long-term profitability through all levels of the supply chain	
To co-ordinate a minimum of two Red Meat Strategic Forum meetings by Quarter 4	Fully achieved
To co-ordinate a minimum of one meeting of each Strategic Forum sub-group between main Forum meetings (as required)	Fully achieved
b. develop effective and efficient evidence-based communications with industry stakeholders	
To maintain (through membership of the Gira Meat Club) international information flow relevant to LMC market communication obligations to the industry. Report back to stakeholders through bulletin / seminars within 1 month	Fully achieved
To attend and report upon a minimum of two international conferences by Quarter 4. Report back to stakeholders through bulletin/seminars within 1 month	Fully achieved
To sustain all current market research information streams over the year. Ensure receipt of quarterly and monthly reports, and at least regular reporting of data to stakeholders via bulletins, press releases, seminars, etc	Fully achieved
To produce and circulate 2 full colour Bulletin Specials by quarter 4	Fully achieved

To coordinate an NI Outlook Conference receiving satisfactory feedback from attendees by Quarter 4	Fully achieved
To develop a new operational website by end of Quarter 4	Fully achieved
To issue 50 Bulletins per annum	Fully achieved
To review Bulletin delivery mechanism by Qtr 2	Fully achieved
To issue text messages weekly to registered users	Fully achieved
For AHDB Brussels office to provide a monthly summary report in LMC Board papers on matters relevant to the industry being discussed at European level	Fully achieved
To issue at least one press release to agri-press each month	Partially achieved (LMC engaged with and informed its stakeholders through regular press and broadcast media coverage and this negated the need for monthly issue of press releases)
To coordinate LMC stand at Balmoral Show	Fully achieved
To inform stakeholders of LMC's role within the industry post strategic review (production of new LMC Promotional Resources)	Fully achieved
To publish statutory LMC Annual Report	Fully achieved
c. assist the Northern Ireland industry in achieving optimum competitive advantage within domestic and export markets	
To honour R&D commitments made to LINK Forage Breeding Project being undertaken at IBERS Aberystwyth	Fully achieved
To develop expertise on Greenhouse Gas issue and report as appropriate to Strategic Forum and industry	Fully achieved
To attend all SAI meetings during the year and report to Strategic Forum and industry as appropriate	Fully achieved
To provide a NIFQA beef sampling service either directly, or indirectly through NI Food, with 4 multiple retailers by Mar 2012	Partially achieved (3 out of the 4 retailers reached by LMC directly. Further engagement is planned in the next financial year to target 4 major multiple retailers)
To agree a sponsorship package with NIFDA/ Supermeat Awards to recognise the quality of the NI red meat industry at a trade level	Fully achieved

To educate new mothers that beef and lamb are amongst the suitable weaning foods which can be offered in baby’s diets from 6 months of age (to distribute weaning leaflets)	Fully achieved
To educate consumers about the versatility of NIFQA beef and lamb as part of a healthy balanced diet (to distribute recipe leaflets)	Fully achieved
To contribute to L’Agneau Presto lamb campaign aimed at halting the decline of lamb consumption in France	Fully achieved
To work with the NI industry to identify potential new lucrative export markets and to support the UK Export Certification Partnership (UKECP) as required through the provision of information to gain access to these emerging markets.	Fully achieved
d. provide information support to the Northern Ireland beef and sheep meat industry	
To sustain all current bought-in information streams throughout the year and ensure circulation to relevant staff	Fully achieved
To carry out 300 school cookery demonstrations by Quarter 4	Fully achieved
To coordinate a Home Economics Teachers’ (HET) Conference, receiving satisfactory feedback from attendees	Not achieved (LMC's HET conference at year end was deferred so as not to clash with a major UK nutritional conference for HE teachers staged for the first time in Northern Ireland)
To contribute to joint crisis management / consumer communications initiatives, coordinated by AHDB on behalf of the UK levy bodies	Fully achieved
To maintain membership of International Meat Secretariat (IMS) allowing interaction with red meat professionals	Fully achieved
e. provide an independent support service to Government and industry stakeholders on commercial terms where appropriate	
To Ensure NIFCC achieves EN40511 targets for inspection frequency and quality throughout the year	Fully achieved
For the FQAS Industry Board to meet at least once by Quarter 4	Fully achieved

For the FQAS Standard Setting Committee to meet at least once by Quarter 4	Fully achieved
To maintain red tractor eligibility of NIFQAS beef and lamb; born, raised and slaughtered in Northern Ireland	Fully achieved
To circulate one standard update addendum (if necessary) and annual FQAS newsletter	Fully achieved
To complete evaluation of FQAS database by Quarter 4 (subject to approval)	Fully achieved

Education & Consumer Promotion

Highlights of LMC's Education and Consumer Promotion activity for 2011-12 include the following:

Cookery Demonstrations

LMC's educational programme continued this year with 300 beef and lamb cookery demonstrations being conducted in Home Economics classes in secondary schools throughout Northern Ireland (80 more sessions than the 2010/11 year of account). LMC's panel of freelance demonstrators 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 nutritional website www.food4life.org.uk . At these demonstrations the importance of looking for Northern Ireland Farm Quality Assured (NIFQA) 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. To disseminate these messages further than the classroom LMC also co-ordinated consumer PR activity which achieved considerable editorial coverage as well as Ministerial support at the official launch of the programme.

Recipe & Weaning Leaflets

During the year a co-ordinated campaign enabled 130,000 recipe leaflets promoting NIFQA beef to be distributed to consumers. 10,000 copies of a weaning leaflet produced by LMC entitled 'The Right Start' were also circulated to young mothers. The leaflets contained suitable beef recipes for babies over the age of 6 months. This campaign achieved positive print and broadcast coverage.

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 15,000 shoppers across 20 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 demonstrators the opportunity to convey information about the importance of red meat in a balanced diet. Promotional staff were engaged to hand out recipe leaflets and a further leaflet outlining the importance of the Northern Ireland Farm Quality Assurance Scheme.

L'Agneau Presto

LMC continued to support L'Agneau Presto, a promotional campaign highlighting the versatility of lamb in one of Northern Ireland's key markets, France.

MeatMATTERS

LMC continued to be a member of the joint UK, RoI, Danish and New Zealand levy body initiative MeatMATTERS, which promotes the benefits of red meat in the diet to consumers across the UK. It also ensures negative or misleading press coverage regarding health scares associated with consuming red meat is responded to by appropriate unbiased experts in a timely and professional manner.

Stakeholder Engagement

LMC's presence at Balmoral Show during May 2011 gave ample opportunity for LMC Board members and staff to explain the role that the Commission would play after the Strategic Review and how it would meet and respond to stakeholder needs. Stakeholders were able to sample excellent quality NIFQA beef rolls and LMC demonstrators also conducted beef and lamb sampling sessions each day of the show. Information and promotional resources were distributed to all consumers visiting the stand.

LMC maintained its annual membership of the International Meat Secretariat (IMS) allowing interaction with red meat professionals from across the world through sharing of information and attending conferences.

The quality and importance of the NI red meat industry and its products was also recognised through provision of LMC support to a NIFDA awards dinner and to the prestigious annual SuperMeat and Fish Awards in London at which LMC presented the award for best meat and fish counter in a Northern Ireland retail store.

Industry Development

Red Meat Strategic Forum

During the course of the year LMC continued to facilitate the Northern Ireland Red Meat Strategic Forum with meetings of the main Forum having been held in June 2011 and February 2012. LMC facilitated the Forum's involvement in a number of important strategic matters throughout the year including the ongoing development and roll-out of the Bovine Information System (BovIS) by AFBI; rebaselining the red meat Task Force Cost of Production Index, prioritizing the beef and sheep meat sector greenhouse gas mitigation measures contained in the 'Efficient Farming Cuts Greenhouse Gases' strategy launched by the DARD Minister in December 2011 and advising CAFRE on a range of Knowledge and Technology Transfer (KTT) Projects including the Language of Dry Matter, Sheep Ireland, Forage Brassicas and Grass / Clover Monitor Farms. LMC also continues to participate in the Greenmount Abbey Farm KTT Working Group and in October 2011 it was agreed that the working group would evolve into a Red Meat Project Board to help facilitate student learning at the college.

Food and Feed Safety

LMC also continued to facilitate the Industry Feed Assurance Group which met on two occasions in June 2011 and November 2011. Each sector of industry continues to work on implementation of the recommendations in the IFAG Report 'Assuring Food Safety in Northern Ireland' which was launched in January 2011. During the course of the year LMC engaged with the Food Standards Agency Northern Ireland regarding the role that IFAG members could play in the FSA's proposed establishment of a Food and Feed Industry Advisory Panel (FFIAP). The first meeting of FFIAP took place in December 2011 and many of the IFAG members, including LMC, are playing a full and active role in this advisory panel.

Automatic Beef Carcase Classification

Following the roll out of automatic beef carcase classification (Video Image Analysis, VIA) in the main Northern Ireland slaughter plants in March 2011 LMC facilitated a VIA 6 month review meeting at Lissue House in October 2011 which was attended by DARD, NIMEA, UFU and NBA. A number of important matters were reviewed including frequency of plant checks, pre and post VIA grading results, steers versus young bull equations, producer access to images on appeal and communications regarding VIA matters. LMC continues to provide independent expert analysis of VIA grading results on cattle prices.

Export Certification

LMC continues to participate in the UK Export Certification Partnership, a joint initiative between Government and industry which works towards the agreement of export health certificates for the export of live animals and animal products to third countries. 61 new export health certificates were made available during 2011 as a direct result of the work of UKECP. LMC also sponsored in conjunction with Invest NI an inward visit of an official Russian veterinary inspection team in February 2012 to examine BSE controls and inspect slaughter plants and cold stores as part of an ongoing effort by UKECP to gain access to the Russian market for UK beef and sheep meat exporters.

Sustainability

LMC has become a member of the Sustainable Agriculture Initiative Platform and is actively participating in the Platform's Sustainable Beef Working Group (SBWG) which met on two occasions in June 2011 and January 2012. One of the key pieces of work being done by the SBWG is the production of a common Life Cycle Analysis for measuring the carbon footprint of beef production. Three technical sub groups have been formed to work on the key areas of difference between current carbon footprint measurement tools namely: Allocation, Sequestration and Land Use and Land Use Change and LMC has facilitated the involvement of technical experts from AFBI in this important work area.

Research & Development

LMC is involved in a number of important Research and Development projects on behalf of its stakeholders. The 'Breeding LINK' Forage Breeding Project which is being undertaken at IBERS Aberystwyth enters its fifth and final year in April 2012. Breeding LINK comprises four projects funded under the Defra Sustainable Livestock Production (SLP) LINK programme. The projects, led by IBERS, are supported by LMC, AHDB-DairyCo, AHDB-EBLEX, British Grassland Society, Germinal Holdings Limited, HCC and QMS, and seek to underpin the development of new varieties of grass and clover to enhance beef, sheep and dairy production whilst reducing the environmental impact of grassland agriculture in the UK. During the 2011/12 reporting year LMC continued to provide financial support to the projects and progress on each of the projects to date was reported in the LMC Bulletin in March 2012.

Climate Change

Finally, LMC also participated during the year in the Defra / Devolved Administrations Greenhouse Gas Research Platform. LMC attended a meeting of the Methane Emissions from Livestock Project Advisory Group at Reading University in June 2011 to discuss progress on the 8 separate work packages which are being taken forward under this important research project.

LMC has also been actively engaging with the Revised Greenhouse Gas Inventory Project and in July 2011 LMC presented an overview of datasets, currently being collected by LMC, which could potentially be of use in improving the Northern Ireland Agricultural Greenhouse Gas Inventory.

Market Information

2011-2012 was a year of significant challenges and opportunities for the Market Information Department. In the first half of the year LMC was beset with issues surrounding the organisational restructure and in the market information department priority was given over to ensuring continuity of service and meeting targets. However, in the second half of the year with a new management structure in place, various new events, projects and publications were successfully initiated.

Economic Activity

The department has continued to play a key role through undertaking analysis of the beef and sheep meat market in Northern Ireland. LMC has continued to procure market information from a variety of sources, including Kantar Market Research data which has enabled market intelligence to be reported to the industry on consumer demand trends in terms of volume, value and expenditure.

LMC continue to use the Price Reporting Database as a key information source in performing ongoing micro-economic analysis of the NI cattle trade. This data was central in enabling LMC to provide analysis which addressed concerns about the market impact of the introduction of the tighter grading standard at the end of 2011/12. This analysis was published in LMC Quarterly and was presented directly to stakeholders at various meetings and events in the second half of the year.

In 2012, LMC continued to engage with international market information initiatives. Events such as the Gira Meat Club and International Meat Secretariat Economics Workshop provided the department with authoritative global meat trade insights ensuring that LMC was well-placed to inform local stakeholders about developments in the global market and their impact locally.

Communications

The weekly Bulletin remains LMC's primary market information tool and in the autumn of 2011, LMC commissioned research into the effectiveness and circulation of the LMC Bulletin which yielded very positive and definite conclusions for the market information service.

In the research, over 70 per cent of respondents expressed satisfaction with the content and layout of the LMC Bulletin in the survey[2]. Concerns about the circulation of the Bulletin were raised in the report and new arrangements for the distribution of LMC market information were made as a direct result of this research. In response to the findings of the research and to widen the availability of the service to our stakeholders, LMC commenced publication of the Bulletin in the Saturday Farming Life in January 2012. The reach of our market information services was also boosted by the creation of a new mid-week market report which was published in the mid-week farming press since the start of 2012.

Also in response to the research findings, LMC piloted a new quarterly publication in December 2011 which complements the Bulletin through the provision of insightful analysis and more detailed updates on market, legislative and technical developments in the sector. Two issues of LMC Quarterly were produced in the second half of 2011-12 and crucially the publication is posted and emailed directly to stakeholders, with around 10,000 recipients for each issue.

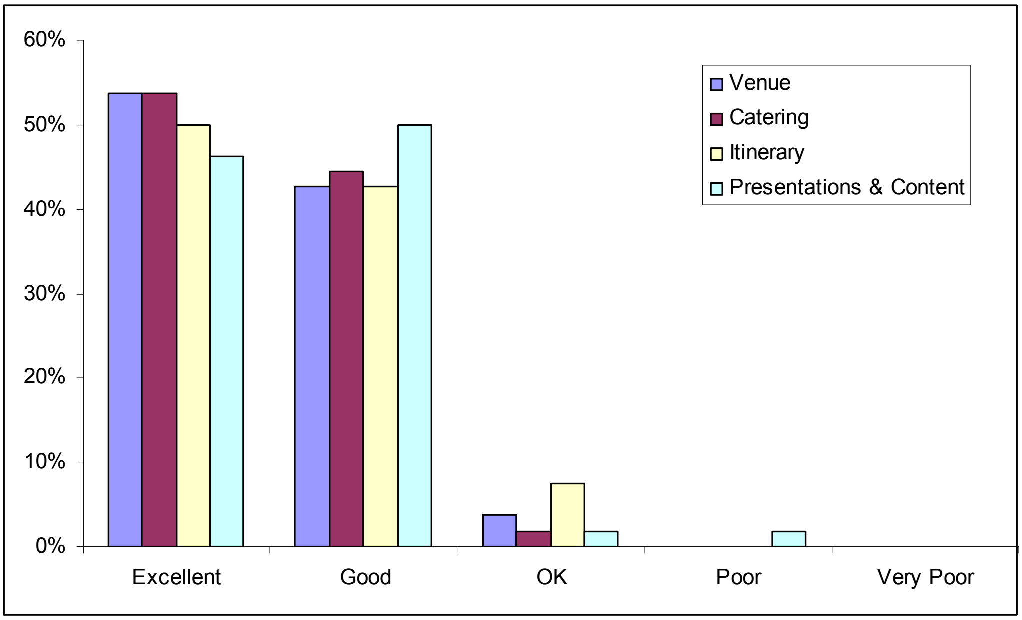
LMC continued to engage and inform stakeholders through the ongoing provision of communications through the press and broadcast media. Regular press and radio interviews, text message updates and the answer-phone service continued throughout the year.

Red Meat Prospects Conference

The Market Information department piloted a new event in March 2012; the Northern Ireland Red Meat Prospects Conference. An audience of 110 attended the event in Greenmount College and the conference received very positive feedback from delegates and extensive coverage in the farming press. To ensure maximum reach and coverage, a conference DVD was produced for distribution to stakeholders.

[2] Excluding no replies to the question

Feedback from delegates who attended the LMC Red Meat Prospects Conference March 29 2012



Deadweight Cattle Price Reporting

In 2011-12 LMC continued its weekly price reporting obligations on behalf of the Rural Payments Agency and 52 weekly price reports were supplied to Brussels during the year. The basis for this service is the provision of individual factory price reports to LMC on a weekly basis and in 2011/12, 75 per cent of NI cattle were price reported. Furthermore, LMC staff participated in the CIC inspection conducted by EU officials into Beef Carcase Classification and Deadweight Price Reporting in May 2011.

Northern Ireland Beef & Lamb Farm Quality Assurance Scheme

Participation

Farmer numbers participating in the Northern Ireland Beef & Lamb Farm Quality Assurance Scheme (FQAS) continues to decrease in line with general trends observed in local beef and sheep farming. At the end of the 2011/12 financial year producer participation in FQAS stood at 9,691, a contraction in membership of 2.5% relative to the end of the last financial year. New applications to join FQAS continued also to show a decrease over the year relative to the previous 12 month period. Whilst participation in FQAS may have decreased the percentage of price reported domestic prime beef cattle that were farm assured at time of slaughter was 95.2% at the end of the 2011/12 financial year. Steers continued to represent the highest category for assurance proportion at 96% with cull cows reaching an impressive level of 86.8% assurance during the year.

Certification

In the 2011/12 financial year 5,773 surveillance inspections were conducted by the Certification Body NIFCC, which represents an average surveillance inspection interval of 19.3 months against a maximum target of 18 months. There were 939 spot-check inspections, representing 10.1% of scheme members against a minimum target of 10%. 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 November 2011 the FQAS Industry Board was provided with a report on performance against the first year of the Certification Contract (November 2010-October 2011) which clearly showed that targets were being met by the Certification Body.

Product Standard

In December 2011 all FQAS participants were circulated with an addendum to the April 2010 Product Standard following a few minor amends as agreed by the Standard Setting Committee. These changes were in response to industry and customer needs, to take account of changes in legislation and, to ensure continued recognition of equivalence with the Red Tractor Farm Assurance Scheme for Beef & Lamb. Along with this addendum to the Product Standard an Autumn FQAS Newsletter was also produced and distributed to all members of FQAS featuring some key articles to ensure members of FQAS are kept informed of scheme developments.

Farm Liaison

The FQAS Farm Liaison Service continued to provide valuable assistance before and after inspections to FQAS participants during the 2011/12 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 also 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 280 calls per month from and to members of the FQAS.

Scheme Management

During the 2011/12 year a Farm Quality Assurance Manager was appointed. The role of the FQAS Manager is to develop the Northern Ireland Beef & Lamb Farm Quality Assurance Scheme (NIBL FQAS) in line with ongoing developments within the industry and co-ordinates the FQAS Industry Board and Standard Setting Committee. The FQAS Manager also manages the relationship between the scheme and the Certification Body and monitors performance.

In February 2012 an analysis of the FQAS database was conducted by a third party software developer in order to provide a report into possible solutions for development of the FQAS database in line with LMC's future requirements.

Scheme Funding

NIBL FQAS is one of the most cost competitive beef and lamb assurance schemes operating in the British Isles. The cost sharing arrangement between producers and processors renders the Northern Ireland scheme by far the lowest cost to producers of all the beef and lamb schemes participating in UK Red Tractor Assurance. In November 2011 the FQAS Industry Board supported an LMC proposal that from 1 April 2012, FQAS membership fees for annual renewal and initial registration of producers should increase to £55 in order to bring the Farm Quality Assurance Scheme income and expenditure into alignment and to re-balance the 50:50 ratio of funding proportion between producers and processors. When implemented these fee increases will still represent extremely good value for producers as most UK beef and lamb assurance schemes have producer membership fees in excess of £100 per annum.

Funding and Audit

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 Levy	Actual Levy	
		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.

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

Under 2011/12 funding arrangements for NIFQAS, producers pay a £50 joining and a £35 annual membership fee. Processors who wish to participate in the scheme pay a fee of £1.00 per bovine animal and £0.10 per sheep slaughtered, plus an annual licence fee of £400 for a slaughterer/processor and £250 for a secondary processor. The £100 annual fee for licencing of butchers was discontinued for 2011/12 on the advice of the FQAS Industry Board.

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 2011/12 resulted in an audit fee of £11,865 and this is included in the other operating charges in the Income and Expenditure account. The C&AG did not provide any non-audit services during the year.

Commission Membership

The table below sets out the attendance of Commission Members at Board and Audit Committee meetings where applicable.

Name	Board Meetings	Audit Committee
Patrick O'Rourke	13/13	-
Ian Mark (From January 2012)	3/3	-
Mary McCormack	11/13	4/4
John McGaughey	13/13	-
James Noble	13/13	4/4
Phelim O'Neill	13/13	4/4
Kenneth Sharkey	12/13	-
Campbell Tweedie (Until December 2011)	9/10	-

The Minister for Agriculture and Rural Development appoints the chairman and members of the LMC Board for three-year terms. As of 31 March 2012 there are seven members on the Commission ("the Board").

- Patrick O'Rourke (Chairman)
- Ian Mark
- Mary McCormack
- John McGaughey
- James Noble
- Phelim O'Neill
- Kenneth Sharkey

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.

Patrick O’Rourke (Chairman)

Mr O’Rourke 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. He has served as the Chair of the LMC since 7 May 2009.

Ian Mark

Mr Ian Mark 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, Chairman of CAAN Activity Tourism Working Group and a member of the Royal Ulster Agricultural Society (RUAS) Council. 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 McCormack 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 Agri-Search, a member of Omagh District Council Local Action Group for the Rural Development Programme and a member of the Omagh Forum for Rural Associations.

John McGaughey

John McGaughey was appointed to the Board in October 2006. He studied agriculture at Kings College, The University of Newcastle Upon Tyne where he specialised in animal production. He worked for many years for the Department of Agriculture and is well known for his practical development work within the beef and sheep sectors. He was a founder member of the National Sheep Association in Northern Ireland and a past chairman. He is a member of a wide range of professional and agricultural organisations and is a Fellow of the Royal Agricultural Societies (FRAS). John now works as an industry consultant.

James Noble

James Noble was appointed to the Board in February 2008. He brings to LMC knowledge derived from a farming background and a career in the food industry. He studied food processing and agriculture at Loughry College and industrial engineering at Queens University. Most of his career was spent in the local dairy industry where he gained a wide experience of processing, product development and marketing. Mr Noble has extensive knowledge of directing and managing customer facing organisations in the private and public sectors; he was Managing Director of Dromona Quality Foods for 12 years and is a past Board member and Chairman of the Safety Committee of the Northern Ireland Transport Holding Company. He has served on a number of industry representative bodies and is currently a Board member of the Agri-Food and Biosciences Institute.

Phelim O'Neill

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. His entire career has been spent in various roles in the red meat industry and currently is the Chief Executive of the Northern Ireland Meat Exporters' Association. He is a regular contributor to the print and broadcast media on the industry and holds a number of other industry related board positions.

Kenneth Sharkey

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 is also a director of Countryside Services, Glenfarm Holdings and the NFU Mutual.

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**.**

	2011/12		2010/11	
Name	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
Mr P O'Rourke *Chairman*	20-25	-	15-20	-
Mr J McGaughey *Board Member*	5-10	-	5-10	-
Mr J Noble *Board Member*	5-10	-	5-10	-
Mr P O'Neill *Board Member*	5-10	-	5-10	-
Mrs M McCormack *Board Member*	5-10	-	5-10	-
Mr K Sharkey *Board Member*	5-10	-	5-10	-

Mr I Mark *Board Member* *(from 1 January 2012)*	0-5 (Full year equivalent 5-10)	-	-	-
Mr C Tweedie *Board Member* *(until 31 December 2011)*	0-5 (Full year equivalent 0-5)	-	0-5	-
Mr I Stevenson *Chief Executive* *(from 3 October 2011)*	25-30 (Full year equivalent 45- 50)	-	-	-
Miss S Blain *Accounting Officer* *(from 5 May-2 October 2011)*	15-20	-	-	-
Mr D Rutledge *Chief Executive* *(until 4 May 2011)*	60-65	-	100-105	-
Mrs N Waite *Marketing Director* *(until 10 May 2011)*	20-25	-	30-35	-

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. Mr. Rutledge and Mrs. Waite left their positions due to redundancy as part of the restructuring of the Commission. The salary figures disclosed for these individuals include redundancy and other payments as detailed below.

Name	Redundancy £'000	Payment in Lieu of Notice £'000	Backdated Pay Award £'000
Mr D Rutledge	5-10	5-10	25-30
Mrs N Waite	0-5	10-15	-

A Sub-Committee of the LMC Board which assumed the responsibilities of the Chief Executive was convened as an interim arrangement until a new Chief Executive appointment could be made. This Sub-Committee was comprised of Mr. O'Rourke and Mr. McGaughey. The salary figures disclosed for these individuals include additional remuneration for Sub-Committee duties as detailed below.

Name	Sub-Committee Remuneration £'000
Mr P O'Rourke	5-10
Mr J McGaughey	0-5

The banded remuneration of the highest paid employee in the financial year 2011-2012 was £42,500 (2010-2011, £87,000). This was 3.27 times (2010-11, 3.95 times) the median remuneration of the workforce, which was £13,000 (2010-2011, £22,000).

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. The outgoing Chief Executive received an additional mileage payment of £24 (2011: £599), which was reported on a P11D form to revenue authorities.

NILGOSC Pensions (audited)

Name	Accrued pension at age 65 as at 31/3/12 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/3/12	CETV at 31/3/11	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Mr I Stevenson *Chief Executive*	0-5 plus lump sum of 0-5	0-2.5 plus lump sum of 0-2.5	20	12	10	-
Miss S Blain *Accounting Officer* *(from 5 May-2 Oct 2011)*	5-10 plus lump sum of 20-25	0-2.5 plus lump sum of (0-2.5)	131	124	-	-
Mr D Rutledge *Chief Executive* *(until 4 May 2011)*	15-20 plus lump sum of 40-45	0-2.5 plus lump sum of 2.5-5	359	323	34	-
Mrs N Waite *Marketing Director* *(until 10 May 2011)*	0-5 plus lump sum of 5-10	0-2.5 plus lump sum of (0-2.5)	47	44	2	-

Pension benefits are detailed in Note 14 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

Ian Stevenson
Accounting Officer
20 June 2012

Corporate Governance

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, created by DARD in 2005, define the accountability arrangements of LMC to DARD (Food Policy Branch being LMC's sponsors within DARD). LMC is reviewed periodically, in accordance with the business needs of DARD and LMC. A fundamental review of LMC took place in 2009.

LMC Board

The LMC Board meets once a month and comprises a chairman and six non-executive members. The appointments are made under section 1 of the Livestock Marketing Commission Act (Northern Ireland) 1967, and are made in accordance with the Commissioner of Public Appointments for Northern Ireland Code of Practice.

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 concerning the management of LMC, is informed in a timely manner about any concerns about the activities of LMC and provides assurances to DARD that appropriate action has been taken on such concerns

- 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 performance objectives and remuneration terms for the Chief Executive, which gives due weight to the proper management and use of public monies.

Evaluation of Board Performance

DARD is responsible for the evaluation of LMC's overall performance. The senior management of DARD's Food, Farm and Rural Policy Division assess the LMC Chairman annually. The LMC Chairman assesses individual Board members annually.

Committees of the Board

The Board has established and delegated powers to an Audit Committee (see page 42) and a Remuneration Committee (see page 34).

Planning, Budgeting and Control

The Strategic Plan

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 three year period and associated business objectives for the next year.

LMC submits a draft of its updated strategic plan to DARD annually, for their agreement. The main elements of the plan, including the key performance targets, are agreed in the light of DARD's decisions on policy and resources, taken in the context of the Government's wider policy and spending priorities and decisions.

The Business Plan

The first year of the strategic plan, amplified as necessary, forms the business plan, which includes key targets and milestones for the year immediately ahead, and is linked to budgeting information so that resources allocated to achieve specific objectives can readily be identified by DARD.

Financial Budgets

Financial budgets are produced annually for the forthcoming 12-month period and underpin the three-year strategic plan and annual business plans. Preliminary budgets are consolidated and presented to the Board during January of each year.

Reporting Performance to the Sponsor Department

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. Performance is formally reviewed twice yearly by DARD. 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.

LMC's performance against key targets is reported in this annual report and accounts (pages 12 to 17). The annual report offers a review of LMC's performance in the financial year, together with comparable outturns for the previous year.

Internal Audit

LMC has a service level agreement with DARD's Internal Audit Branch to ensure that it meets its internal audit requirements fully. External Audit has a right of access to all documents prepared by LMC's internal auditor. In addition, DARD has a right of access to all LMC records, other information, personnel and systems for purposes such as sponsorship audits and operational investigations.

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. For the purpose of audit, the C&AG have a statutory right of access to relevant documents as provided for in Articles 3 and 4 of the Audit and Accountability (Northern Ireland) Order 2003. The C&AG shares with DARD information identified during the audit process and the audit report at the end of the audit.

The C&AG may carry out examinations into the economy, efficiency and effectiveness with which the LMC has used its resources in discharging its functions.

LMC Audit Committee Roles and Responsibilities

The Audit 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.

Membership

The members of the Audit Committee in 2011/12 were:

- Mr James Noble (Chair): non-executive Board member appointed by the Board in May 2008 for the duration of his membership of the Board. Mr Noble was Acting Chairman throughout 2011/12 until his appointment as Chairman by the LMC Board in February 2012

- Mr Phelim O'Neill: non-executive Board member appointed by the Board in February 2009 for the duration of his membership of the Board

- Mrs Mary McCormack: non-executive Board member appointed by the Board in February 2009 for the duration of her membership of the Board

- Mr Ian Mark: non-executive Board member appointed by the Board in February 2012 for the duration of his membership of the Board

Reporting

The Audit Committee meets at least three times a year, and reports formally to the Board after each meeting. It also provides the Board and Accounting Officer with an Annual Statement, timed to support finalisation of the accounts and the Statement on Internal Control, summarising its conclusions from the work it has done during the year.

Responsibilities

The Audit Committee advises the Board and Accounting Officer on:

- The strategic processes for risk, control and governance and the Statement on Internal Control

- 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.

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 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 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.

Statement on Internal Control

Scope of Responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal control that supports the achievement of LMC's policies, aims and objectives, whilst safeguarding the public funds and Commission assets for which I am personally responsible, in accordance with the responsibilities assigned to me in Managing Public Money Northern Ireland.

The period covering the year of account has been somewhat of a transitional year for LMC as during the course of the year a significant organisational restructuring and refocusing of LMC activities took place. The LMC Chief Executive and Accounting Officer, who was in position at the start of the 2011/12 accounting year, left the organisation in May 2011. Three other members of the Executive Committee also left the organisation in the first half of the year of account including the one remaining Director (Marketing) who would have attended LMC Board meetings. A Sub-Committee of the LMC Board which assumed the responsibilities of the Chief Executive was convened as an interim arrangement until a new Chief Executive appointment could be made. This Sub-Committee comprised the Chairman of the Board and a Board member. The LMC Accountant was delegated the responsibility of interim Accounting Officer in the interim period until a new Chief Executive was appointed. As the LMC Accountant was the only member of the Executive Committee who remained after the restructuring, the Executive Committee was discontinued by the Sub-Committee of the LMC Board. The LMC Accountant retained and continues the role of Commission Secretary.

On 3 October 2011 I took up the role of Chief Executive and was designated Accounting Officer by the DARD Permanent Secretary on 24 October 2011. The Statement of Internal Control by the interim Accounting Officer in the Annual Report and Accounts for the year ending March 2011 reported on LMC Internal Control issues up to the end of September 2011. This Statement of Internal Control reports on the period from the time of my appointment at the beginning of October 2011.

The interim accountability arrangements which were in place at the end of September 2011 were reconfigured following my appointment as Chief Executive and Accounting Officer. The Sub-Committee of the LMC Board which had assumed the role of Chief Executive between May and September 2011 was immediately discontinued and the designated responsibilities of the interim Accounting Officer were also transferred to me on taking up the role of Chief Executive. I established a regular programme of interim management team meetings (normally monthly) to discuss internal control and operational matters and in consultation with the LMC Board, staff and stakeholders a revised Business Plan and Budget for 2011/12 was re-submitted to DARD to reflect wider changes which had taken place in the organisation and to refocus the programme of business activity to the end of the financial year. This revised Business Plan was approved by DARD on 6 April 2012. These interim management team meetings comprised the Senior Management Team as well as the FQAS Manager and Education Services Manager (who from 28 May 2012 report to the new Industry Development Manager).

As Accounting Officer I am supported by monthly Board Meetings, by an Audit Committee and by the Senior Management Team, whose Stewardship Reports in regard to their particular functional responsibilities, I have relied upon. The Senior Management Team comprises three personnel, namely: the LMC Accountant, Economist and Industry Development Manager. The structure of this new team was recommended by the LMC Board during the restructuring of LMC. None of the Senior Management Team are Directors. They do not serve on the Board of LMC nor do they have authority or responsibility for directing or controlling the major activities of LMC. The Senior Management Team can influence decisions within individual sections of LMC under their stewardship but cannot influence the decisions of LMC as a whole. A vacancy in the Senior Management Team arose with my promotion from Industry Development Manager to Chief Executive and Accounting Officer and from 3 October 2011 to 25 May 2012 I also undertook the functional responsibilities of this role. The Audit Committee, which met twice during the period from 3 October 2011, currently comprises four members of the Board. During the year, no senior management served on the LMC Board or Audit Committee.

The Purpose of the System of Internal Control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it 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 of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in LMC for the year ended 31 March 2012 and up to the date of approval of the annual report and accounts, and accords with DFP guidance.

Internal audit services for the year were provided by the Internal Audit Branch of DARD. Internal audit work was carried out during planned visits between November 2011 and February

2012, and the strategy and programme of work was approved by the Audit Committee. The Internal Auditors gave an overall “Satisfactory” assurance in respect of the internal control systems for the year.

Capacity to Handle Risk

Leadership is given to the risk management process via the Board, the Audit 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 Committee and the Risk Management Plans for each functional area are updated and approved by the Board (through the Audit Committee) as appropriate and at least annually. Advice on best practice and technical issues associated with risk management is also provided through regular contact with DARD.

The Risk and Control Framework

Risk Management Policy

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.

Risk Appetite

LMC’s risk appetite is determined by the extent to which the tolerance of risk is embedded within LMC’s overall risk management framework. In broad terms, all currently identified controllable risks are considered to be within the risk appetite of the business.

Risk Register

During the year within each functional area, the Risk Register is maintained by the responsible manager. These risks are discussed at least quarterly by Senior Management and from these functional risks the Corporate Risk Register is drawn. During 2011/12, the main and significant risk areas with a medium to high likelihood and a medium to high impact which were identified in the Risk Register included:

- LMC is unable to re-establish credibility with its funders due to LMC review findings not being implemented.

In managing this risk the Board and Management of LMC communicated the new structure, role and responsibility of LMC to its stakeholders, to media representatives and to local and European political representatives

- Continued inability of government accounting rules to allow LMC to use reserves.
  In managing this risk LMC sought the agreement of stakeholders, through the FQAS Industry Board, to increase the FQAS producer membership fee from £35 to £55 from 1 April 2012 in order to align FQAS income with expenditure. DARD has also submitted an application to the Department of Finance and Personnel for a reclassification of LMC accounts.
- Volatility of pension scheme liability and its impact on LMC balance sheet.
  In managing this risk the LMC Board committed, in principle, to move away from a defined benefits pension scheme, and move to a defined contribution scheme available to all employees.
- Failure to procure services required by LMC in an appropriate/ timely manner.
  In managing this risk LMC sought to ensure that it fulfilled its obligations as set out in the Management Statement and Financial Memorandum.
- Reduction of income from a failure to sustain membership of FQAS.
  In managing this risk LMC has sought to maintain Red Tractor Scheme equivalence for FQAS. The number of inspections required to maintain equivalence are agreed annually with the certification contractor and are kept under review. The FQAS standard is also reviewed regularly by the FQAS Standard Setting Committee for appropriateness to the market in which it operates.

The Risk Register and these dominating issues were disseminated throughout the organisation. Managers sought to develop and embed risk management in all aspects of the management process. The key stakeholders of LMC are the beef and sheep meat farmers and processors who pay a levy to LMC. Frequent meetings with all of the key stakeholders seek to ensure that the risks facing the industry and LMC are debated fully to reach appropriate conclusions for LMC and the industry we serve. The current LMC Risk Register was approved by the LMC Board in September 2011.

Reputational Risk

LMC's reputation within the beef and sheep meat industry, from which it derives the entirety of its funding, is of critical importance. In addition to the challenging issues associated with managing industry derived funds in a public sector environment, LMC's reputation as an efficient service provider to the industry is paramount to the ongoing success of the organisation.

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.

Business Continuity Plan

LMC has a comprehensive Business Continuity Plan (BCP), the purpose of which is to identify ways and means for LMC to continue to operate its core activities should a major disruption occur at its head office. Our current BCP was revised in June 2011 and communicated to key staff.

Anti-Fraud Policy

LMC is committed to ensuring that the risk of fraud in all its forms is minimised. An important part of this approach is our Anti-Fraud Policy, which informs staff of LMC's approach to the serious issue of fraud and incorporates a Fraud Response Plan. This policy was updated in June 2008.

Whistle-Blowing Policy

The LMC Whistle-blowing Policy provides workers who report wrongdoing ('whistle blowing') with statutory protection against dismissal or detriment where they make certain disclosures of information in the public interest if that disclosure is made in accordance with procedures specified in the policy. LMC has defined its policy and procedure through this policy, which was revised in May 2010.

Review of Effectiveness

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 2011/12 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.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

LMC continues to strengthen its system of internal control and to develop controls as appropriate. In particular, in the incoming year, LMC plans to implement any matters arising from the Internal Audit report and the External Auditor's report to those charged with governance.

I am unaware of any other significant internal control weaknesses that need to be addressed.

Ian Stevenson.

I Stevenson
Accounting Officer
20 June 2012

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

I certify that I have audited the financial statements of the Livestock and Meat Commission for the year ended 31 March 2012 under the Livestock Marketing Commission Act (Northern Ireland) 1967. These comprise the Income and Expenditure Account, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Reserves 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 Accounting Officer and auditor

As explained more fully in the Statement of the Commission and Accounting Officer's Responsibilities, the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with the Livestock Marketing Commission Act (Northern Ireland) 1967and 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 Livestock and Meat Commission's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Livestock and Meat 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. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

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

Opinion on Regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by the Assembly and the financial transactions 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 Livestock and Meat Commission's affairs as at 31 March 2012 and of its net income, cash flows and changes in reserves for the year then ended; and

- the financial statements have been properly prepared in accordance the Livestock Marketing Commission Act (Northern Ireland) 1967 and the Department of Agriculture and Rural Development's 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 by Livestock Marketing Commission (Northern Ireland) Act 1967; and

- the information given in the Annual 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 Statement on Internal Control does not reflect compliance with Department of Finance and Personnel’s guidance.

Report

I have no observations to make on these financial statements.

K J Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 IEU

3 July 2012

Income and expenditure account for the year ended 31 March 2012

	Notes	**2012** £	2011 £
Income - continuing operations			
Income from activities	2	**1,903,352**	2,772,781
Expenditure			
Staff and related costs	3	**415,671**	1,468,447
Depreciation (net of deferred grant release)		**45,577**	44,745
Other operating charges	4	**1,221,029**	211,345
		1,682,277	1,724,537
Operating surplus	2	**221,075**	1,048,244
Finance income	5	**39,793**	31,059
Surplus before income tax		**260,868**	1,079,303
Income tax charge	6	**7,958**	6,522
Surplus for the year		**252,910**	1,072,781

Statement of financial position as at 31 March 2012

	Notes	**2012** £	2011 £
Assets			
Non-current assets			
Property, plant and equipment	8	**1,400,080**	1,393,135
		1,400,080	1,393,135
Current assets			
Trade and other receivables	9	**314,998**	433,665
Cash and cash equivalents	10	**1,382,249**	1,224,322
Short term bank deposits		**1,610,031**	1,591,690
		3,307,278	3,249,677
Total assets		**4,707,358**	4,642,812
Current liabilities			
Trade and other payables	11	**237,036**	491,262
Income tax liabilities		**7,958**	6,522
		244,994	497,784
Non-current assets plus net current assets		**4,462,364**	4,145,028
Non-current liabilities			
Pension liabilities	14	**1,328,000**	544,000
		1,328,000	544,000
Assets less liabilities		**3,134,364**	3,601,028
Reserves			
Income and expenditure account		**1,468,071**	1,882,232
Revaluation reserve		**693,884**	638,707
Designated reserves		**972,409**	1,080,089
		3,134,364	3,601,028

The notes on pages 58 to 76 are an integral part of these financial statements.

The financial statements on pages 54 to 76 were authorised for issue by the Board on 20 June 2012 and were signed on its behalf by:

Ian Stevenson

Ian Stevenson

Accounting Officer

20 June 2012

Statement of Cash Flows for the year ended 31 March 2012

	Notes	**2012** £	2011 £
Cash flows from operating activities			
Operating surplus after interest		**260,868**	1,079,303
Adjustments for:			
Depreciation of property, plant and equipment		**50,882**	50,049
Movement in trade and other receivables		**118,665**	149,071
Actuarial (loss)/gain recognised		**(780,000)**	1,843,000
Movement in trade and other payables		**529,776**	(2,769,543)
Notional charges		**2,599**	2,037
Profit on disposal of property, plant and equipment		**-**	(296)
Income tax paid		**(6,522)**	(9384)
Net cash used in operating activities		**176,268**	344,237
Cash flows from investing activities			
Purchases of property, plant and equipment		**-**	-
Proceeds from sale of property, plant and equipment		**-**	296
Movement in short-term deposits		**(18,341)**	(30,617)
Net cash used in investing activities		**(18,341)**	(30,321)
Movement in cash and cash equivalents		**157,927**	313,916
Cash and cash equivalents at the beginning of the year	10	**1,224,322**	910,406
Cash and cash equivalents at the end of the year	10	**1,382,249**	1,224,322

Statement of Reserves for the year ended 31 March 2012

	Designated reserves			
	Farm quality assurance scheme £	Classification service £	Total designated reserves £	Income and expenditure account £
At 1 April 2010	478,637	1,087,338	1,565,975	(1,522,080)
Surplus for the year				1,072,781
Actuarial gain on retirement benefit obligations				1,843,000
Other notional charges				2,037
Transfer from unrealised revaluation reserve to income and expenditure account				608
Transferred to other designated reserves	(164,132)	(321,754)	(485,886)	485,886
At 31 March 2011	**314,505**	**765,584**	**1,080,089**	**1,882,232**
Surplus for the year				**252,910**
Actuarial loss on retirement benefit obligations				**(780,000)**
Other notional charges				**2,599**
Transfer from unrealised revaluation reserve to income and expenditure account				**2,650**
Transferred to other designated reserves	**(104,743)**	**(2,937)**	**(107,680)**	**107,680**
At 31 March 2012	**209,762**	**762,647**	**972,409**	**1,468,071**

	Unrealised revaluation reserves £
At 1 April 2010	684,315
Deficit on revaluation of property, plant and equipment	(45,000)
Transfer from unrealised revaluation reserve to income and expenditure account reserve	(608)
At 31 March 2011	**638,707**
Surplus on revaluation of property, plant and equipment	57,827
Transfer from unrealised revaluation reserve to income and expenditure account reserve	(2,650)
At 31 March 2012	**693,884**

Notes to the financial statements for the year ended 31 March 2012

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

General information

The entity's principal activities during the year are detailed on pages 12 to 17. 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 2011-12 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 property, plant and equipment. This treatment is felt to be appropriate by the Board following the DARD Minister's decision to retain LMC as an NDPB.

Standards, amendments and interpretations effective in the year ended 31 March 2012 but not relevant

The following standards, amendments and interpretations to published standards are effective for the year ended 31 March 2012 but they are not relevant to the entity's operations:

		Effective date
International Accounting Standards (IAS/IFRSs)		
IAS 24	Related Party Disclosures (revised)	1 Jan 2011
International Financial Reporting Interpretation Committee (IFRIC)		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

Notes to the financial statements for the year ended 31 March 2012

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

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

During the year, 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 do 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:

		Effective date
International Accounting Standards (IAS/IFRSs)		
IFRS 9	Financial Instruments	1 Jan 2015
IFRS 10	Consolidated Financial Statements	1 Jan 2013
IFRS 11	Joint Arrangements	1 Jan 2013
IFRS 12	Disclosure of Interests in Other Entities	1 Jan 2013
IFRS 13	Fair Value Measurement	1 Jan 2013
IAS 19	Employee Benefits	1 Jan 2013
IAS 27	Separate Financial Statements	1 Jan 2013
IAS 28	Investments in Associates and Joint Ventures	1 Jan 2013
International Financial Reporting Interpretation Committee (IFRIC)		
IFRIC 20	Stripping Costs in the Production Phase of a Surface Mine	1 Jan 2013

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.

Notes to the financial statements for the year ended 31 March 2012

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

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 2010 at existing use value by Land and Property Services, less subsequent depreciation for buildings. In intervening years these valuations are subject to annual indexation using relative price indices. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment, with the exception of freehold property, is stated at cost less depreciation and accumulated impairment losses due to the short life and low value of the individual assets. The initial cost of an asset comprises cost plus any costs directly attributable to bringing the asset into operation and an estimate of any decommissioning costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated 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 income statement 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	-	2.63%
Office furniture, fixtures and fittings, computers	-	20.00%

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

Property, plant and equipment (continued)

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

Impairment of non-financial assets

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

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

(b) Trade and other receivables (continued)

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.

(c) 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.

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

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 balance sheet date. Income tax is charged or credited directly to reserves if it relates to items that are credited or charged to equity. Otherwise income tax is recognised in the income and expenditure account.

Pension liabilities

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

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.

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

Designated reserves

Income and expenditure arising in respect of designated purposes is credited or debited to the income statement 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 no interest rate risk as it has no borrowings nor does it have any exchange rate risk as all of its transactions are denominated in Sterling.

(b) Credit risk

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

(c) Liquidity risk

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

Capital risk management

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

Notes to the financial statements for the year ended 31 March 2012

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

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 from activities	**Expenditure**	**Operating surplus 2012**	Total 2011
	£	**£**	**£**	£
Levy and other income	1,047,114	709,973	**337,141**	1,540,511
Rural payments agency	49,816	46,996	**2,820**	5,004
Classification service	-	11,756	**(11,756)**	(330,146)
NIFQAS income	806,422	913,552	**(107,130)**	(167,125)
Total	**1,903,352**	**1,682,277**	**221,075**	1,048,244

Notes to the financial statements for the year ended 31 March 2012

3 Employee benefit expense

	Permanently employed staff	Others	Commission members	2012	2011
	£	£	£	£	£
Wages and salaries	344,672	11,918	59,825	**416,415**	946,832
Social security costs	29,698	1,157	2,575	**33,430**	74,021
Pension costs – defined benefit plans	(34,174)	-	-	**(34,174)**	169,269
Reorganisation and redundancy costs	-	-	-	**-**	278,325
	340,196	**13,075**	**62,400**	**415,671**	1,468,447

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

	Permanently employed staff	Others	Number	Number
Commission members	7	-	**7**	7
Classification/Agency	-	-	**-**	18
Administration (including levy collection)	14.5	0.5	**15**	20
	21.5	**0.5**	**22**	45

4 Other operating charges

	2012	2011
	£	£
Information services	**6,391**	595
Market development and advertising	**955,803**	991,748
Administration costs:		
Actuarial costs/(credits) of pension scheme	**118,000**	(1,015,000)
Office expenses	**126,153**	182,002
Aggregate travelling and subsistence	**14,682**	52,000
	1,221,029	211,345

Office expenses include:

	2012	2011
	£	£
Notional charges	**2,599**	2,037
Auditors' remuneration - for audit	**11,865**	10,000
- for other services	**-**	-

Notes to the financial statements for the year ended 31 March 2012

5 Finance income and costs

	2012	2011
	£	£
Interest income:		
Short-term bank deposits	**39,793**	31,059
Finance costs - net	**39,793**	31,059

Short-term bank deposits

Short-term bank deposits earned interest at a rate of 2.2% to 2.6% over the financial year.

6 Income tax charge

	2012	2011
	£	£
Current income tax:		
Current UK corporation tax at 20% (2011: 21%)	**7,958**	6,522
Income tax charge	**7,958**	6,522

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% (2011: 21%). The differences are reconciled below:

	2012	2011
	£	£
Surplus before income tax	**260,868**	1,079,303
Tax calculated at the UK small companies rate of corporation tax of 20% (2011: 21%)	**52,173**	226,654
Effect of:		
Surplus not taxable	**44,215**	220,132
Income tax charge	**7,958**	6,522

The entity is only subject to income tax on its interest income.

Notes to the financial statements for the year ended 31 March 2012

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 four reportable operational segments, levy funded activities, NIFQAS, agency services and classification.

The segment information provided to the Board for the reportable segments for the year ended 31 March 2012 is as follows:

	Levy Funded Activities	NIFQAS	Rural Payments Agency	Classification	Other	Total
	£	£	£	£	£	£
Income from external parties	**993,350**	**809,406**	**49,816**	**11,023**	**79,550**	**1,943,145**
Expenditure	**623,824**	**913,552**	**46,996**	**11,756**	**79,550**	**1,675,678**
Operating surplus/(deficit) before tax	**369,526**	**(104,146)**	**2,820**	**(733)**	**-**	**267,467**
Income tax expense	**(5,157)**	**(597)**	**-**	**(2,204)**	**-**	**(7,958)**
Surplus/(deficit) before notional costs and after tax	**364,369**	**(104,743)**	**2,820**	**(2,937)**	**-**	**259,509**
Adjustments in respect of notional costs:						
Internal audit						**(2,599)**
Actuarial costs of pension scheme						**(4,000)**
Total surplus reported for year						**252,910**
Total assets less liabilities	**706,411**	**209,762**	**1,455,544**	**762,647**	**-**	**3,134,364**
Depreciation	**23,030**	**8,197**	**9,655**	**-**	**10,000**	**50,882**
Interest Received	**25,786**	**2,984**	**-**	**11,023**	**-**	**39,793**

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 2012

8 Property, plant and equipment

	Freehold Land £	Property Buildings £	Exhibition equipment, office furniture, fixtures and fittings £	Computers £	Total £
Cost or valuation					
At 1 April 2010	650,000	750,000	268,518	232,977	**1,901,495**
Additions	-	-	-	-	**-**
Disposals	-	-	(12,511)	(2,418)	**(14,929)**
Indexation	-	(45,000)	-	-	**(45,000)**
At 31 March 2011	**650,000**	**705,000**	**256,007**	**230,559**	**1,841,566**
Depreciation					
At 1 April 2010	-	-	244,220	169,091	**413,311**
Provided during the year	-	18,077	10,339	21,633	**50,049**
Eliminated in respect of disposals	-	-	(12,511)	(2,418)	**(14,929)**
Indexation	-	-	-	-	**-**
At 31 March 2011	**-**	**18,077**	**242,048**	**188,306**	**448,431**
Net book amount					
At 31 March 2011	**650,000**	**686,923**	**13,959**	**42,253**	**1,393,135**
At 31 March 2010	650,000	750,000	24,298	63,886	1,488,184
Cost or valuation					
At 1 April 2011	650,000	705,000	256,007	230,559	**1,841,566**
Additions	-	-	-	-	**-**
Disposals	-	-	-	-	**-**
Indexation	(66,000)	105,750	-	-	**39,750**
At 31 March 2012	**584,000**	**810,750**	**256,007**	**230,559**	**1,881,316**
Depreciation					
At 1 April 2011	-	18,077	242,048	188,306	**448,431**
Provided during the year	-	21,335	8,140	21,407	**50,882**
Eliminated in respect of disposals	-	-	-	-	**-**
Indexation	-	(18,077)	-	-	**(18,077)**
At 31 March 2012	**-**	**21,335**	**250,188**	**209,713**	**481,236**
Net book amount					
At 31 March 2012	**584,000**	**789,415**	**5,819**	**20,846**	**1,400,080**
At 31 March 2011	650,000	686,923	13,959	42,253	1,393,135

Notes to the financial statements for the year ended 31 March 2012

8 Property, plant and equipment (continued)

Depreciation expense of £50,882 (2011: £50,049) has been fully charged to expenditure.

The entity's freehold property was last revalued externally on 31 March 2010 by Land and Property Services. Valuations were made on the basis of existing use value. In intervening years this valuation is subject to annual indexation using relative price indices.

9 Trade and other receivables

	2012	2011
	£	£
Levies (statutory)	**113,419**	143,101
Rural payments agency receivable	**25,073**	32,042
Classification receivables	**-**	131,012
Farm quality assurance scheme receivables	**106,054**	89,461
Trade debtors	**-**	1,355
Prepayments and accrued income	**70,452**	36,694
	314,998	433,665

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

	2012	2011
	£	£
Cash at bank and on hand	**1,382,249**	1,224,322

11 Trade and other payables

	2012	2011
	£	£
Accruals	**80,515**	390,900
Trade creditors	**106,540**	19,756
Deferred income	**5,305**	10,610
Other taxation and social security	**44,676**	69,996
	237,036	491,262

12 Related party transactions

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

The entity is a one-eighth owner of Northern Ireland Food Chain Certification (NIFCC) and is represented on the board of directors. During the year the entity provided accounting, administration and human resources services to NIFCC valued at £ 79,550 (2011: £77,834). NIFCC provided the entity with inspection services and marketing information during the year valued at £718,096 (2011: £741,684). The amount due to NIFCC at 31 March 2012 was £73,050 (2011: £nil). NIFCC is operated as a not-for-profit organisation and therefore no NIFCC reserves are recorded in LMC's financial statements.

In addition the entity provided office space and administration services to Northern Ireland Meat Exporters Association valued at £6,360 (2011: £7,738). NIMEA provided the entity with price reporting information during the year valued at £nil (2011: £17,900). The amount due to or from NIMEA at 31 March 2012 was £nil (2011: nil).

During the year, none of the entity's Board members, key management staff or other related parties has undertaken any material transactions with the entity.

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

12 Related party transactions (continued)

	Debtors: amounts falling due within one year	Debtors: amounts falling due after more than one year	Creditors: amounts falling due within one year	Creditors: amounts falling due after more than one year
	£	£	£	£
Balance with other central government bodies	**25,073**	-	**60,559**	-
Balances with local authorities	-	-	-	-
Balances with NHS trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Balances with bodies external to government	**289,925**	-	**184,435**	**1,328,000**
At 31 March 2012	**314,998**	-	**244,994**	**1,328,000**

	Debtors: amounts falling due within one year	Debtors: amounts falling due after more than one year	Creditors: amounts falling due within one year	Creditors: amounts falling due after more than one year
	£	£	£	£
Balance with other central government bodies	**32,042**	-	**76,518**	-
Balances with local authorities	-	-	-	-
Balances with NHS trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Balances with bodies external to government	**401,623**	-	**421,266**	**544,000**
At 31 March 2011	**433,665**	-	**497,784**	**544,000**

13 Financial instruments

The entity's financial instruments are classified as follows:

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

14 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 $1/60^{th}$ 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 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.

The last full actuarial valuation of the scheme was carried out as at 31 March 2010. At that date there was a deficit in the scheme, which will require to be recovered by increasing the employers' contribution rates. The contribution rates set by the Actuary for the three years to 31 March 2014 will increase annually to 17.5%, 18% and 18.4% respectively.

An actuarial valuation of the scheme using the projected unit basis was carried out at 31 March 2012 by Hymans Robertson LLP. The principal assumptions used were as follows:

Notes to the financial statements for the year ended 31 March 2012

14 Pension liabilities (continued)

	2012	2011	2010
	%	%	%
Future salary increases	**4.8**	5.1	5.3
Discount rate	**4.8**	5.5	5.5
Inflation rate	**2.5**	2.8	3.8
Future pension increases	**2.5**	2.8	3.8

The mortality assumptions used were as follows:

	2012	2011	2010
	years	years	years
Longevity at age 65 for current pensioners			
- Men	**22.9**	22.9	20.8
- Women	**25.7**	25.7	24.1
Longevity at age 65 for future pensioners			
- Men	**24.9**	24.9	22.3
- Women	**27.7**	27.7	25.7

The Commission's share of the assets in the scheme and the expected rates of return were:

	Long term rate of return expected 2012	**Value at 2012**	Long term rate of return expected 2011	Value at 2011	Long term rate of return expected 2010	Value at 2010
	%	**£**	%	£	%	£
Equity	**6.2**	**5,150,000**	7.5	5,387,000	7.8	4,605,000
Bonds	**4.1**	**974,000**	4.9	979,000	5.0	837,000
Property	**4.4**	**557,000**	5.5	420,000	5.8	359,000
Cash	**3.5**	**278,000**	4.6	210,000	4.8	179,000
Total market value of assets		**6,959,000**		6,996,000		5,980,000
Present value of scheme obligations		**(8,287,000)**		(7,540,000)		(9,492,000)
Deficit in scheme		**(1,328,000)**		(544,000)		(3,512,000)

Notes to the financial statements for the year ended 31 March 2012

14 Pension liabilities (continued)

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

	2012	2011
	£	£
At 1 April	**6,996,000**	5,980,000
Expected return on scheme assets	**480,000**	432,000
Contributions by members	**21,000**	55,000
Contributions by employer	**180,000**	281,000
Actuarial (losses)/gains	**(428,000)**	397,000
Benefits paid	**(290,000)**	(149,000)
At 31 March	**6,959,000**	6,996,000

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

	2012	2011
	£	£
At 1 April	**7,540,000**	9,492,000
Current service cost	**66,000**	171,000
Interest cost	**414,000**	479,000
Contributions by members	**21,000**	55,000
Actuarial losses/(gains)	**352,000**	(1,446,000)
Past Service Costs	**-**	(1,062,000)
Losses on Curtailments	**184,000**	-
Benefits paid	**(290,000)**	(149,000)
At 31 March	**8,287,000**	7,540,000

Analysis of amount recognised in the income and expenditure account

	2012	2011
	£	£
Current service cost	**66,000**	171,000
Interest cost	**414,000**	479,000
Expected return on pension scheme assets	**(480,000)**	(432,000)
Past Service Costs	**-**	(1,062,000)
Losses on Curtailments	**184,000**	-
Total operating charge/(credit)	**184,000**	(844,000)

14 Pension liabilities (continued)

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

	2012	2011
	£	£
Actual return less expected return on pensions scheme assets	**(428,000)**	397,000
Changes in assumptions underlying the present value of the scheme liabilities	**(352,000)**	1,446,000
Actuarial (loss)/gain recognised in the statement of recognised income and expenses	**(780,000)**	1,843,000
Cumulative actuarial losses recognised in the statement of recognised income and expenses	**(1,540,000)**	(760,000)

History of experience gains and losses

	2012	2011	2010	2009	2008
	£	£	£	£	£
Defined benefit obligation	**(8,287,000)**	(7,540,000)	(9,492,000)	(5,523,000)	(5,682,000)
Plan assets	**6,959,000**	6,996,000	5,980,000	4,199,000	5,442,000
Deficit	**(1,328,000)**	(544,000)	(3,512,000)	(1,324,000)	(240,000)
Experience adjustments on plan assets	**(428,000)**	397,000	1,480,000	(1,683,000)	(453,000)
Experience adjustments on plan liabilities	**(109,000)**	822,000	-	-	805,000
Total amount recognised in the statement of recognised income and expenses	**(780,000)**	1,843,000	(2,043,000)	(1,100,000)	1,469,000

Analysis of projected amount to be charged to operating profit for the year to 31 March 2013

	£	% of pay
Projected Current Service Cost	50,000	20.8%
Interest on Obligation	393,000	163.8%
Expected Return on Plan Assets	(391,000)	(162.9%)
Past Service Cost	-	-
Losses/(Gains) on Curtailments and Settlements	-	-
Total	**52,000**	**21.7%**

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