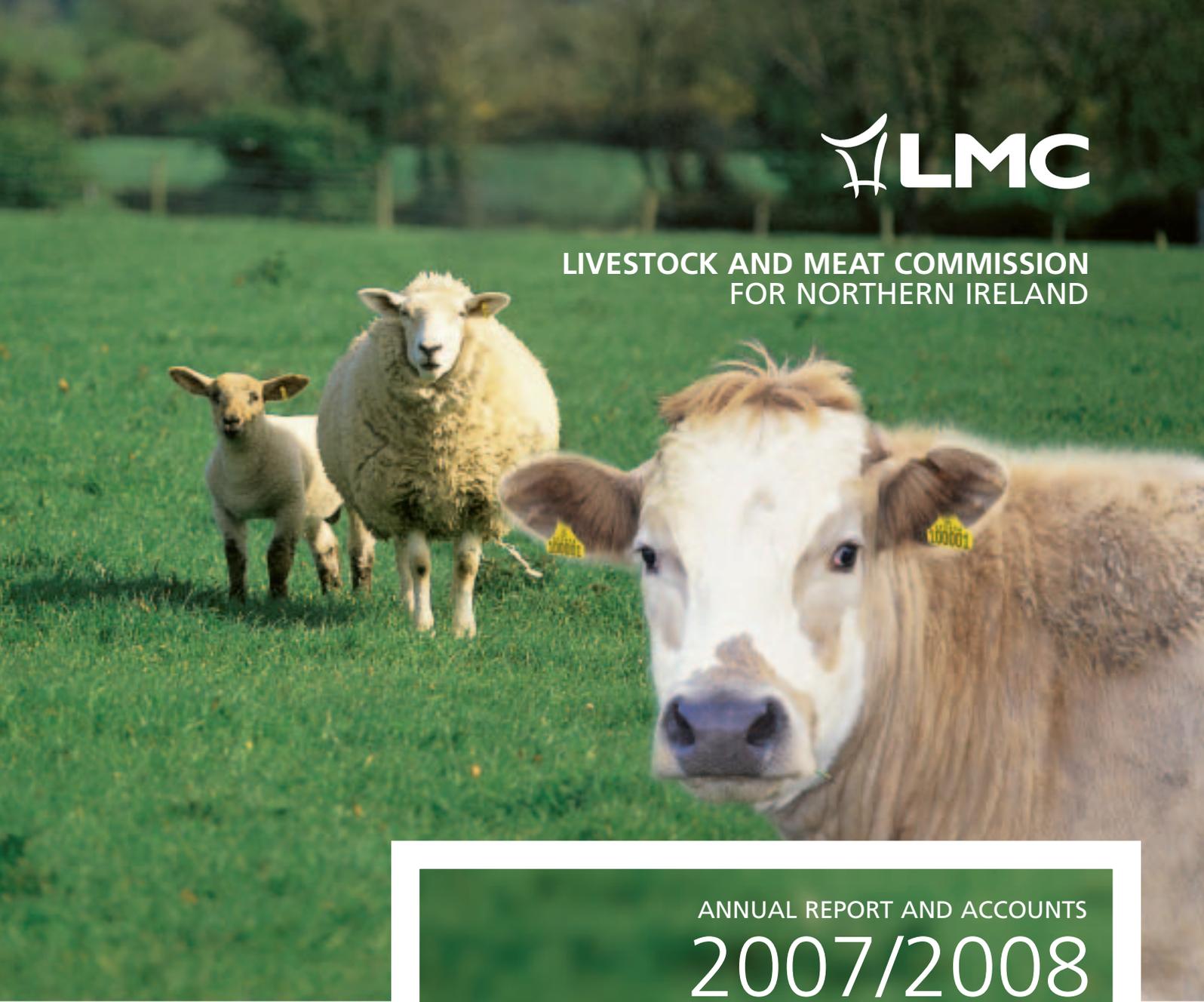
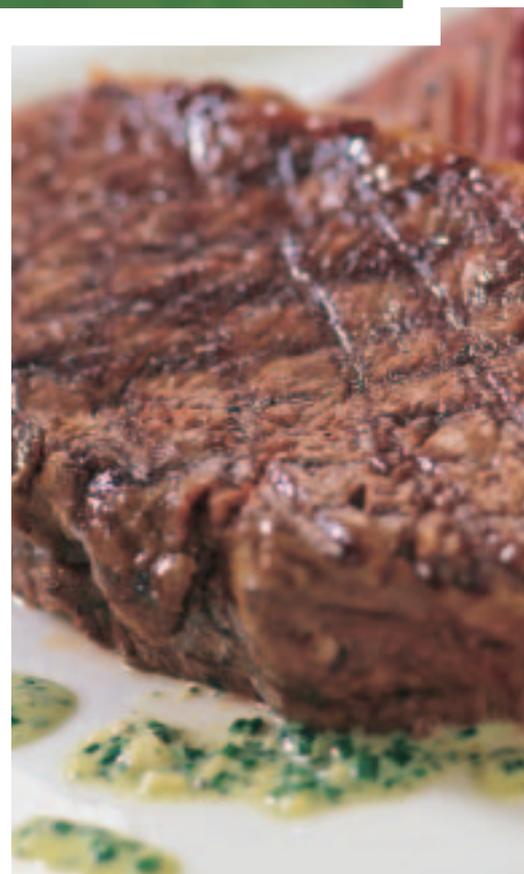
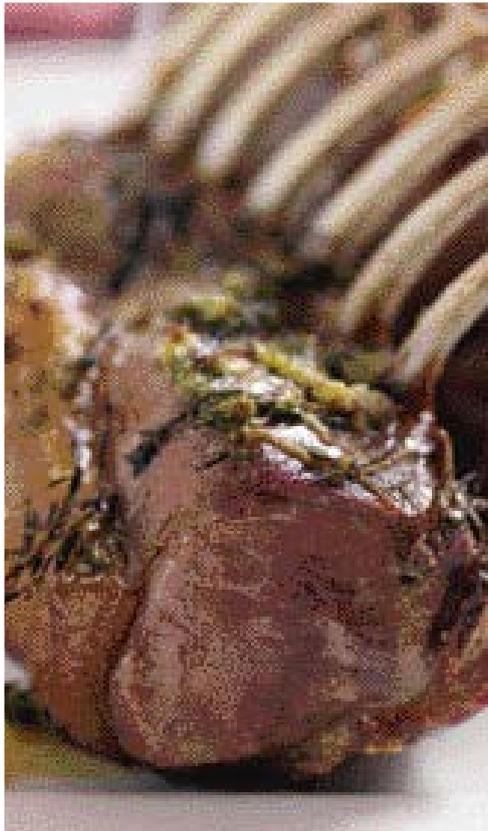




LIVESTOCK AND MEAT COMMISSION
FOR NORTHERN IRELAND



ANNUAL REPORT AND ACCOUNTS
2007/2008



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Livestock and Meat Commission for Northern Ireland

Annual Report and Accounts
for the year ended 31 March 2008

*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*

4 July 2008

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Chairman's Statement



This, the forty-first annual report of the Livestock and Meat Commission for Northern Ireland (LMC), covers the period 1 April 2007 to 31 March 2008. The year was a highly significant one for LMC on behalf of its stakeholders.

The major preoccupation of LMC during the year related to the work of the Northern Ireland Red Meat Industry Task Force. Throughout the year LMC co-ordinated the ongoing efforts of the Task Force in the development of a long term strategy for the industry. The Task Force comprises the main stakeholders in the red meat supply chain – Ulster Farmers' Union, National Beef Association (NI), Northern Ireland Meat Exporters' Association, Department of Agriculture and Rural Development, Invest Northern Ireland and LMC. (The National Sheep Association (NI) and the Northern Ireland Agricultural Producers' Association (NIAPA) joined the Task Force in November 2007).

During the year, the Task Force was supported by a team from McKinsey and Company; a leading international strategic consultancy organisation, appointed following a formal tendering process to assist the Task Force in the development of its strategy for the industry.

The Task Force reached its most significant milestone on Wednesday 3rd October 2007, when it launched its report at the Balmoral Conference Centre, Belfast. The report represents the conclusions of six months of intensive analysis and discussions across the industry and it has major implications for circa 20,000 Northern Ireland farmers, the processing sector, Government and all those involved in the channels of distribution and supply. The report launch marked the start of what is expected to be a significant period of change for the Northern Ireland red meat industry.

It has been understood since the de-coupling of subsidies in January 2005 that beef and sheepmeat production in Northern Ireland has been unprofitable and unsustainable at farm-gate level. The Task Force Report identifies the full extent of the problem with the industry currently generating a loss of over £200 million per annum, when full production costs are included. This whole industry loss is driven by the very poor economics of production; losses of production are estimated at circa £260 million per annum, when all costs are considered. These are significantly higher than the £15-20 million per annum of profits generated by each of the processing and retailing parts of the

Northern Ireland red meat chain. The result is that the vast majority of producers are using their Single Farm Payment (SFP) to cover the costs of loss making production. This application of SFP, in support of unprofitable enterprises, represents a significant loss to the Northern Ireland economy and poses a major dilemma for the Northern Ireland industry and Government.

Perhaps the most significant conclusion highlighted in the report is the substantial unprofitability of suckled beef production and hill sheep production. Neither of these production systems attract any premium in the marketplace (other than that represented by the classification grade structure) to compensate for the inevitably higher costs. While hill sheep production is closer to viability at farm level than suckled beef production, the challenge of making either of these parts of our industry profitable is significant.

On the positive side of the Task Force's work, there has emerged the potential for profitable business on Northern Ireland farms through a number of channels. First, it has been identified that there is an opportunity to develop a more professional approach to the rearing of calves from the dairy herd at a new level of scale and efficiency, and to become commercially competitive with our counterparts in GB, who have already taken a number of initiatives in this area. Secondly, it is clear that whatever the farm enterprise within our sector, there needs to be a scaling up to eliminate inefficiencies. Such scaling up, however, will require investment and those investments can only be encouraged where opportunities for profitability can be established.

We have also highlighted what has been described as the unique position of Northern Ireland to develop its milk production and processing base further, to the benefit of farmers and the wider economy. We believe this proposition should be examined urgently because of the apparent scale of the opportunity.

LMC has also led the communication of the Task Force findings, and we have had much encouraging dialogue with both industry and Government, locally, nationally and beyond. We would encourage once again, through this report, that Government takes an active part in working with farm businesses to develop responses that will allow farmers to achieve profitability at enterprise-level, so that they can retain their SFP for investment in their future, rather than in support of

Chairman's Statement cont'd

a marketplace that is not providing them with an adequate return. We note, of course, that there is already some evidence that farmers are scaling back or withdrawing from unprofitable activities.

During the latter part of the year reported upon, we saw a considerable positive change in the market price for beef, and (to a lesser extent) for sheepmeat. This uplift in price is encouraging. In parallel with the market price increases we have also observed a massive escalation in farm production costs. Feedstuffs, fertiliser and fuels, all essential inputs to the production of sheepmeat and beef, have seen unprecedented increases. Currently we estimate these increases have added over 40p/kg to the cost of the average kg of beef.

During the year we continued to pursue all our normal activities. We made particular efforts to persuade Government of the need for a level playing field in regard to our industry. Two of the many areas we continue to pursue are:

- (1) The unfairness of treatment of local producers compared with producers in other parts of the world. We have noted in particular, that after the production of 11 reports over 5 years by the Food and Veterinary Office of the European Commission (EC), calling on the Brazilian beef industry to comply with European Standards, the authorities have eventually banned the importation of Brazilian beef from the vast majority of Brazilian farms.
- (2) The ludicrous situation whereby feedstuffs, produced using genetically modified organisms, are freely available to our competitors, while being curtailed or banned from use in the European Union (EU). In the meantime meat and dairy products, produced from the same ingredients, continue to flood into the EU. It is estimated that this issue alone cost Northern Ireland's farmers over £50 million in 2007. This imposition on our industry provides no benefit to consumers, and is, in fact, a deception of consumers that masquerades as a form of consumer protection, which it is not.

We in LMC will continue to work where we can in the marketplace to get an appropriate return for our industry's output. In an environment

where we increasingly learn of the plight of people in various parts of the world as a consequence of food shortages, it seems perverse that consumers in Europe, supported by their Governments' action and inaction, continue to source food supplies increasingly from elsewhere in the world. This occurs while local farmers are denied a suitable return, despite being willing and able to produce food at prices that can be afforded by affluent European consumers, and to standards imposed and rigorously implemented on behalf of the consumer.

May I take the opportunity once again to thank our full range of stakeholders for their continuing support and contribution to the development of LMC's plans and activities. Our role is to serve our industry sector, and we cannot do this successfully without a major input from producers, processors and Government, together with many others in the chain of distribution and consumption. I would like to acknowledge the continuing high level of support from all such sources, and I look forward to their continuing contribution to our work.

A handwritten signature in black ink that reads "Owen Brennan". The signature is written in a cursive style with a large initial 'O'.

Owen Brennan
Chairman
4 June 2008

Chief Executive's Review



During the fiscal year 2007/08 the average farm-gate price for prime cattle (steers, heifers and young bulls) increased by 3% to £2.01/kg; up 6p from an average of £1.95/kg in the previous year.

However, the small movement in the average figures conceals the significant surge in prices experienced over the final quarter. At the start of January 2008 the average weekly price for prime cattle was £2.08; this had increased by 17% to £2.43 at the end of March 2008 representing a £0.48/kg increase compared with the weekly price at the end of March 2007 (when the average was £1.95). Cattle prices have continued to increase in the intervening period of 2008. Cow prices in 2007/08 increased to £1.51/kg compared with 1.47/kg on the previous year. In the final quarter of 2007/08 the average cow price also increased significantly, rising £0.35/kg from £1.52 at the start of January to £1.87 at the end of March. Total cattle slaughterings decreased by 1% to 445,100 head: prime slaughterings dropped by 1%, while cow and bull slaughterings fell by 2% over the year.

For sheep the picture was fairly similar: 2007/08 saw an 8% decrease in total lamb and hogget kill and a 1% rise in the average farm-gate price to £2.34/kg carcass weight (from £2.32/kg in 2006/07). However, by the end of March 2008 the average farm-gate price stood at £3.01/kg compared with £2.25/kg at the start of January 2008, representing a 34% increase in the final quarter. The fat ewe kill was 1% higher on the previous year and prices increased 8% to £26 per head.

In the context of the Task Force Report referred to in the Chairman's statement, the market changes from the beginning of 2008 are exceedingly welcome and may point to brighter prospects for the future. We have, however, noted the continuing increase in feedstuff costs together with massive increases in fertiliser and fuel costs. These factors have led to a reduction in cattle supplies in the first quarter of 2008, being a probable major contributor to the 2008 price increases. The Task Force Report demonstrates the urgent need for a market response to create the opportunity for viability to our industry at farm-gate level; indeed the market improvement at the beginning of 2008 will have provided considerable benefit to producers for cattle and sheep slaughtered, having had costs of production based on historic patterns. Looking forward, however, on current costs (March 2008),

producers may be slightly better off than they were during 2007, but are still making significant losses.

The red meat processing sector has found it very difficult to secure the necessary increase in their selling prices to compensate them fully for the increased costs of cattle procurement, with commodity markets surging ahead of historic premium customers; it has been challenging for processors to continue to support long-term customers when the spot market was paying better prices. As at the year end (31 March 2008), this conundrum remained.

It is also important to note that current prices still fall well short of the prices advocated by the Task Force as being essential to sustain profitable production over the long-term. For the twelve month period [ending 31 March 2008] 15% of beef and 43% of sheepmeat was exported outside the United Kingdom (UK); Great Britain (GB) remains the principal market for Northern Ireland red meat (68% and 42% respectively). Within the GB market the year saw significant disruption due to outbreaks of Foot and Mouth Disease and the arrival of Bluetongue in southern and eastern England. Foot and Mouth Disease had a significant impact on the pattern of marketing for Northern Ireland as export markets remained open, while the GB export markets were closed. The latter Bluetongue incident clearly demonstrates that the threat of a major outbreak of Bluetongue is growing ever closer.

In serving the Northern Ireland beef and sheepmeat industry, LMC operates to a strategic plan, which has been produced in consultation with the major industry interests and Government. Our report on performance against our objectives for the year is covered on pages 11-20 of this report. The bulk of our levy income continues to be spent on marketing and communications activities, all of which we scrutinise to ensure we offer the best possible value for money to our levy payers. Furthermore, we evaluate our projects to identify ways of boosting our expenditure with the assistance of grants and other income where possible.

Looking forward, we are preparing for the end of the Older Cattle Disposal Scheme (OCDS) on 31st December 2008; the surplus of income over expenditure from this work has contributed, in the past, to the overall work of LMC on behalf of the industry, and consequently

Chief Executive's Review cont'd

we will have to make some changes to our activities. Furthermore, projected income from the levy is estimated to continue declining, which will affect our promotional activities in the future. One of the major implications will be our ability to deliver LMC's weekly bulletin to all beef and sheepmeat producers by post (postal charges have increased significantly to compound the problem). LMC will endeavour to identify a process of communication which offers the producer best value for money.

Over recent years, the European Union (EU) regulations regarding the use of levy funding for promotional activity (for the benefit of a country or region), have become increasingly restrictive, with all such activity now needing prior approval from DEFRA/European Commission (EC). The consequence of such changes has been an increasing mismatch between the expectations of our levy payers and the constraints applied on us. We have noted the GB developments, whereby all of the levy boards in the agri-foods sector have been amalgamated under the Agricultural and Horticultural Development Board. We are also aware of a changing set of needs within our industry, and of course, the establishment of a regional Government. Against this background we have highlighted to DARD the need for a major review of LMC and its role and the legislative environment in which it operates. We expect this will trigger a major industry consultation, and we encourage a full and active participation by our major stakeholders.

Our accounts for the year are set out on pages 56-75; the operating deficit for the financial year of £1,085,125 (£1,133,026 after taxation) is set out in the income and expenditure report on page 56. This deficit is slightly lower than the budgeted operating deficit of £1,172,300. We had estimated that our expenditure on the Task Force activities would reduce our non-discretionary reserves to a point of balance; however, because of the significant increase in actuarial value of LMC's NILGOSC pension fund at the year-end, our non-discretionary reserves have, in fact, shown a modest increase on last year. Despite this increase, we plan in future years to have a more balanced budget. Some cash reserves remain on our Northern Ireland Beef and Lamb Farm Quality Assurance Scheme (NIFQAS) account, but given that the scheme's annual costs exceed annual income, we anticipate these

reserves will be dissipated over the forthcoming years. Other cash reserves must be maintained to discharge our obligations in the event of the wind-up of other commercial activities.

In the latter part of the year reported upon, we consulted again with industry stakeholders and Government to update our strategic plan, covering the period 2008-2011. The core objectives for the next three years will be:

- To assist the industry to achieve sustainable long-term profitability through all levels of the supply chain
- To develop effective and efficient evidence based communications with industry Stakeholders
- To assist the Northern Ireland industry in achieving optimum competitive advantage within domestic and export markets
- To provide information support to the Northern Ireland beef and sheepmeat industry
- To provide an independent support service to Government and industry stakeholders on commercial terms where appropriate

Undoubtedly LMC's support to the Task Force during the year has been an important development for the industry, but the out-workings of the report will represent a major challenge for both the industry and Government. The future of Northern Ireland's suckler beef herd, in particular, is difficult to predict; the economics of production (in spite of improving market prices) fall far short of representing profitability at farm-gate level and evidence is increasingly emerging that farmers are scaling back their production, in recognition of this unprofitability.

LMC is fortunate in being able to attract a group of high quality staff, who are strongly committed to the well-being of the Northern Ireland beef and sheepmeat industry. I would wish to take the opportunity to acknowledge the considerable efforts across all of our employees to achieve the objectives and targets which we have set. I would wish on

Chief Executive's Review cont'd

behalf of the Board and senior management to record our grateful appreciation of the considerable efforts and talent of all of our employees.



David Rutledge
Chief Executive
4 June 2008



**SUMMARY OF ACHIEVEMENT OF
CORE OBJECTIVES 2007/08**

Core Objectives

Organisational Purpose

The Livestock Marketing Commission for Northern Ireland was established on the 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 sheepmeat industry at all levels of the supply chain.

Mission

LMC will serve the Northern Ireland beef and sheepmeat industry through the facilitation of all possible initiatives to maximise the value of the industry at all stages of the chain of production and supply.

Values

- LMC will be unequivocally an advocate for the Northern Ireland red meat industry and will serve the industry with independence, transparency and integrity

- LMC staff are key to all that we do. 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 2007 - 2010

Key strategic objectives for LMC to achieve over the period 2007 to 2010 are to:

- Assist the industry to re-establish sustainable, long-term profitability through all levels of the supply chain
- Develop effective and efficient evidence-based communications with stakeholders
- Assist the Northern Ireland industry in achieving optimum competitive advantage within domestic and export markets
- Provide promotion and information support to the Northern Ireland beef and sheepmeat industry
- Provide an independent support service to Government and industry stakeholders

Our performance against the year's business objectives in contributing to the achievement of our strategic objectives are set out in the table:
see next page

Performance against Objectives - 2007/08

Strategic Objectives	Business Objectives 2007/08	Performance in 2007/08
1. To assist the industry to re-establish sustainable, long-term profitability through all levels of the supply chain	1.1 Facilitate the development and implementation of a long-term strategy for the red meat industry	<ul style="list-style-type: none"> • Supported consultants in liaising with industry • Major contributor to Red Meat Task Force's (TF) strategy development process • Published TF report in Oct 2007, organised ongoing communications and events on behalf of TF • Ongoing support to strategy implementation
	1.2 Prepare to deal with changes arising from the CAP 2008 Health Check	<ul style="list-style-type: none"> • Evaluated impact of Health Check proposals • Completed risk assessment of NIFQAS members for cross compliance
	1.3 Represent to Government and politicians the need of the industry for a level playing field of legislation and standards when competing in global & domestic markets	<ul style="list-style-type: none"> • Contributed to establishment of Red Tape: Better Regulation Working Group • Monitored standards in Brazil through FVO reports; and communicated our opinions to politicians and media • Assisted NIMEA in quantifying value of industry support in ROI compared to NI • Briefed Minister, politicians and NIA Agriculture Committee on TF report ►



Strategic Objectives	Business Objectives 2007/08	Performance in 2007/08
		<ul style="list-style-type: none"> Completed Market Research on retailers' requirements for assurance; communicated to producers at Supply Chain events
	1.4 Continue to support a benchmarking service to NIFQAS beef and sheepmeat producers in support of DARD and CAFRE	<ul style="list-style-type: none"> Monthly benchmarking reports produced by benchmarking officers and quarterly reviews held with DARD/CAFRE
	1.5 Participate in UK Research and Development programmes	<ul style="list-style-type: none"> Participated in UK Devolved Bodies R&D Committee Co-funded 3 pan-UK research projects Participated in AgriSearch Beef Advisory Committee and submitted one project proposal to UKDB R&D Committee Gained membership of AgriSearch Sheep Advisory Committee
2. LMC will develop effective and efficient evidence-based communications with stakeholders	2.1 Establish and maintain a knowledge warehouse through the acquisition, interpretation and dissemination of information on the whole supply chain	<ul style="list-style-type: none"> Price Reporting contract extended Obtained TNS Market Research Reports as scheduled on key meat market trends Distributed over 14,500 Bulletins on a weekly basis for 50 editions Produced "Meat Trader" ►

Performance against Objectives - 2007/08

Strategic Objectives	Business Objectives 2007/08	Performance in 2007/08
	2.2 Provide information to advise Government of market trends	<ul style="list-style-type: none"> Set in place political briefing system to improve information flow
	2.3 Embrace new technologies to improve the effectiveness of communications	<ul style="list-style-type: none"> Reached 17% higher number than target through text-messaging service Conducted comprehensive review of LMC's communications
	2.4 Create a positive, informed profile for LMC, based upon improved stakeholder understanding of the organisation's mission and objectives	<ul style="list-style-type: none"> Developed extensive communications programme, producing 549 opportunities to see in the press and over 2.2 million page impressions on the LMC website Independent research indicates improved understanding of LMC
	2.5 Establish an internal communications programme, incorporating the aims of Investors in People	<ul style="list-style-type: none"> Held 2 staff conferences and issued 4 issues of staff newsletter. Circulated Industry updates as required
	2.6 Support industry events as appropriate	<ul style="list-style-type: none"> Participated in Balmoral Show, engaging with over 1,500 visitors LMC Open Day attracted 1,000 visitors
	3. LMC will assist the Northern Ireland industry in achieving optimum competitive advantage within domestic and export markets	3.1 Provide trade marketing support for the industry



Strategic Objectives	Business Objectives 2007/08	Performance in 2007/08
		<ul style="list-style-type: none"> the Netherlands in over 500 stores Conducted trade press campaign across Europe and GB
	3.2 Assist the industry develop export markets for Northern Ireland beef (prime & cow) and sheepmeat, live cattle and sheep, and breeding stock and other genetic material	<ul style="list-style-type: none"> Coordinated NI stand at 2 food exhibitions in Poland and Germany Conducted a NI Livestock/Genetics programme including exhibitions & meetings Organised trade missions in Italian, Swedish and Danish markets, resulting in over £6 million of business (est.) to date
	3.3 Monitor consumer and market trends through research	<ul style="list-style-type: none"> Commissioned quantitative consumer research into the foodservice sector in NI
	3.4 Progress PGI application for NI Beef and NI Lamb	<ul style="list-style-type: none"> Submitted applications for NI Beef and NI Lamb to European Commission March 2008
	3.5 Facilitate the development of niche markets, including live exports	<ul style="list-style-type: none"> Hosted and coordinated livestock/genetics meetings and produced promotional material
	3.6 Continue to support growth of the "Greenfields" brand	<ul style="list-style-type: none"> Conducted qualitative and quantitative research Agreed a sampling programme of NIFQA beef and lamb in 500 stores in Netherlands ►

Performance against Objectives - 2007/08

Strategic Objectives	Business Objectives 2007/08	Performance in 2007/08
<p>4. LMC will provide promotion and information support to the Northern Ireland Beef and Sheepmeat Industry</p>	<p>4.1 Inform, advise and engage with key opinion formers, policy makers, and consumers on the benefits of using beef and sheepmeat as part of a healthy and balanced diet</p>	<ul style="list-style-type: none"> • Delivered 160 NIFQAS beef and lamb cookery demonstrations in schools • Encouraged 128 schools to use NIFQAS beef and lamb through the "Meat for Schools" initiative • Provided a speaker and resources at the Assoc of Teachers of Home Economics Conference • Attracted over 288,000 hits on the education resource website, "Food4Life" • Produced four quarterly web-based Nutri-News newsletters for health professionals • Prepared information packs and reached 800 health professionals in NI, highlighting importance of beef and lamb when weaning babies • Produced a series of leaflets and posters on essential nutrients found in beef and lamb, and distributed to health professionals
	<p>4.2 Undertake annual beef/ sheepmeat information/ promotions campaigns</p>	<ul style="list-style-type: none"> • Launched "Beef Week" PR campaign in October, reaching 40% of NI women and attracting over £135,000 of publicity in press and radio ▶



Strategic Objectives	Business Objectives 2007/08	Performance in 2007/08
		<ul style="list-style-type: none"> • Circulated 245,000 "Truth About Beef" leaflets in NI daily newspapers highlighting nutritional merits of beef • Developed a new consumer website, www.lovebeefandlamb.com to inspire consumers to use beef and lamb within a balanced diet
	4.3 Communicate to retailers and the wholesale and foodservice sectors, the merits of NIFQAS beef and lamb	<ul style="list-style-type: none"> • Implemented a foodservice trade press advertising campaign • Provided a range of beef and lamb recipes for NI School Caterers Association for use in school dinners • Founder member of Food Promotion NI and involved in development and implementation of "NI Good Food is in Our Nature" advertising campaign, valued at £1 million, to celebrate NI food
5. LMC will provide an independent support service to Government and Industry Stakeholders	5.1 Provide an independent classification service	<ul style="list-style-type: none"> • Delivered service within costs and with no external appeals • Renewed 8 contracts • Total cattle classified: 404,602 (2.5% fall) • Total sheep classified: 753,829 (8.3% fall) • Consulted industry regarding potential ►



Performance against Objectives - 2007/08

Strategic Objectives	Business Objectives 2007/08	Performance in 2007/08
		<p>for implementation of Video Image Analysis (VIA) technology for classifying sheep carcasses</p> <ul style="list-style-type: none"> • Drafted research protocol for Beef VIA project through Devolved Bodies Research and Development Committee
	5.2 Administer the Older Cattle Disposal Scheme (OCDS) on behalf of Rural Payments Agency, until its termination on 31/12/08	<ul style="list-style-type: none"> • Total OCDS cattle presented: 15,680 (36% reduction on last year: 24,385)
	5.3 Manage NIFQAS on behalf of industry, and conduct a major review of customer requirements for assurance and its value to them	<ul style="list-style-type: none"> • Achieved implementation of ABM mart assurance with 21 marts in Northern Ireland • Completed retailer research; retailer requests maintenance of standards and procedures
	5.4 Provide commercial services to Government and industry at reasonable commercial margins	<ul style="list-style-type: none"> • Delivered weekly EU Price Reporting to RPA



Marketing Director's Report

The work of the Marketing Department over the last year has been focused on three main areas: assisting the industry to drive exports, highlighting the importance of beef and lamb in a balanced diet, and improving communications.

In assisting exports, we are pleased to note that, in addition to the GB market, our industry has re-established beef and sheepmeat sales in a number of European countries, including Belgium, France, Germany, Spain, Italy, Poland, Denmark and Sweden, as well as the Netherlands and the Republic of Ireland. LMC continues to assist this work by organising Northern Ireland's participation at international trade shows such as Anuga, and working together with InvestNI on trade missions to bring buyers in front of the Northern Ireland companies.

Our Livestock Genetics work has been well received by the industry, as we begin the process of developing export skills in these niche markets. Quarterly seminars have proven useful for sharing expertise and learning, and participation in joint activities with MLC has opened the door for Northern Ireland producers to access TAP funding (Trade Access Programme Funding), which has contributed towards the cost of trade show exhibitions; we have also produced some resources for producers to use at the shows. Foot and mouth disease and bluetongue have restricted some exports, but a significant amount of business has already been done, with no doubt much more to follow.

Our trade marketing support in export markets for Northern Ireland beef and lamb is complemented by our work in domestic markets, through trade press activity and research in both the grocery and foodservice sectors. Our application for Protected Geographical Indication (PGI) status, on behalf of the industry, has been passed to the European Commission for review, following a UK consultation.



Increasing media coverage of health scares and diet-related news, has led to a variety of consumer misperceptions about red meat. LMC's Marketing Department, in conjunction with the LMC Nutritionists, has focused on tackling these misperceptions in a number of ways. Public Relations activity portrayed positive messages about beef and lamb in the press and on-line and continued retail sampling and school cookery demonstrations not only conveyed the nutritional benefits of red meat, but also celebrated the pure enjoyment that well prepared beef and lamb dishes can bring. These activities also reinforced awareness and understanding of what farm quality assurance means to consumers. Working with midwives to introduce a weaning leaflet sought to develop tastes at the earliest possible stage, and delivering leaflets directly to doctors' surgeries brought important nutritional messages straight to patients, again dispelling misperceptions about red meat.

Finally, we continued to improve our methods of informing our stakeholders of LMC's activities; including an Open Day, electronic newsletter, bulletin updates and text messaging service, as well as bringing producers to Anuga to see, at first hand, our work in export markets. It is therefore very encouraging to note that independent research among producers confirms an improved understanding and satisfaction with LMC's work on behalf of the industry.





Technical Director's Report

The Northern Ireland Red Meat Industry Task Force

The Technical Department has been a major contributor to The Northern Ireland Red Meat Industry Task Force (see page 26). During the year LMC assisted the group in developing an industry strategy. LMC will also have a key role in taking the strategy forward over the next 5 to 10 years, and will be instrumental in developing a number of primary initiatives.

Research Projects

The Technical Department has been very proactive in assisting the identification of research projects that should help create a commercially viable industry. In 2007/08 three national production projects have been and/or are currently being co-funded. These are concerned with:

- The evaluation of the use of video image analysis (VIA) to predict the classification and meat yield of sheep carcasses
- The effect of gender category on the eating quality (mainly tenderness) of lamb loin chops
- The effects of the Texel Muscle Quantitative Trait Locus (TM-QTL) and other QTLs on lean meat yield in sheep and its evaluation using VIA: now 18 months into a four-year programme

The Technical Department also secured AgriSearch funding for the industry contribution to a Department of Employment and Learning Co-operative Award in Science and Technology to investigate the contribution of meat from grass-fed ruminants to the human dietary intake of long chain n-3 polyunsaturated fatty acids.



Northern Ireland Beef and Lamb Farm Quality Assurance (NIFQAS)

Total participation in NIFQAS continues to decrease (-2.3% in 2007), in line with the general contraction in the beef and sheep industry. The average surveillance inspection interval in 2007 was 17.1 months, and additionally 6.6% of participants received a spot-check inspection. The performance of participants continues to improve, with the number of farms that have no “non-conformances” at inspection increasing to almost 30%.

In 2007 85% of home produced prime cattle and 75% of food chain cows were farm assured NIFQAS, and demand for farm assured stock remains high in the marketplace.

There have been three major positive initiatives for scheme participants during the year:

- The majority of livestock marts have joined the ABM Livestock Market Assurance Scheme; this prevents stock losing their assured status after passing through a non-assured mart and completes assurance in the supply chain
- The scheme was complimented by the Food Standards Agency (FSA) in its *“Review of the Uptake of its 2003 guidance by UK scheme operators”* for adopting standard-setting practices in accordance with the FSA guidance, and for its good practice in conveying messages to consumers about what assurance means to them
- A Memorandum of Understanding was agreed between Assured Food Standards (AFS) and the Local Authority Co-ordinators of Regulatory Services (LACORS), allowing enforcement officers to limit



annual inspections to 2% for assured farms rather than the 25% for non-assured farms

Other Significant Technical Matters

Traditional Speciality Guaranteed (TSG)

LMC has participated in a joint submission to the EC (through DEFRA) with the other UK levy bodies (EBLEX, QMS, HCC), and with those in Ireland (Bord Bia) and France (INTERBEV), for TSG status for European Forage-Reared Suckler Beef. The objective is to achieve a price differentiation for European suckled beef and protection of the European suckler industry against cheap imports.

Electronic Identification (EID)

LMC has facilitated the industry in preparing a proposal and business case for submission to DARD for assistance in implementing Electronic Identification and Data Transfer of cattle.



The Northern Ireland Red Meat Industry Task Force

The Northern Ireland Red Meat Industry Task Force was established to develop a 5 to 10 year strategy for the beef and sheepmeat industry. The report, which was published in October 2007 (www.niredmeattaskforce.co.uk), agreed **five principles for the industry's strategy**:

- The current industry is not viable, and players who remain in the industry should prioritise market-focused investment towards creating economically viable scale and efficiency, and better co-ordinated supply chains
- Dairy-origin beef and upland-lowland (grassland) sheep models show potential for economic viability, with processors playing a key role alongside the participation of government in developing and transitioning to these models
- In the absence of a commitment from retailers and manufacturers to a significant movement in farm-gate prices, the Task Force cannot see, in general, the prospect of an economically viable suckler-origin beef or hill sheep model
- There is no economic case for long-term Government financial support to subsidise suckler-origin beef or hill sheep production; any case for Government support would therefore need to be based on wider considerations
- The evidence suggests that current suckler-origin beef and hill sheep producers who wish an economic return would be significantly better off if they used their Single Farm Payment (SFP) to transition towards diversification or exit; those that choose to remain in suckler-origin beef and hill-sheep production should be aware that they are highly unlikely to make an economic return.



The Strategy Developed by the Task Force is to:

1. Engage with core customers
2. Build efficient and commercially viable supply chains for dairy-origin beef and upland-lowland (grassland) sheep production
3. Either:
 - a. In the event that the necessary, substantial farm-gate price increases are achieved: build efficient and commercially viable supply chains for suckler-origin beef and/or hill sheep; or
 - b. In the absence of the necessary farm-gate price increases: facilitate the anticipated decline of the suckler-origin beef herd and the hill sheep flock

LMC's role is to facilitate the implementation of the strategy by supporting the Task Force's ongoing work, acting as an honest broker to help develop value chain relationships, communicating the strategy through the industry and disseminating information to producers on 'what works'.

Since the publication of the report, LMC has initiated a campaign to inform the major industry stakeholders of the Task Force findings. So far we have conveyed the Task Force message to the major industry stakeholders (including our major customers) in Northern Ireland, and are currently communicating with our peers/stakeholders in Ireland and Great Britain with a view to building a consensus.



LMC is contributing to work in the following areas:

- Alternative beef production systems
- New opportunities for product differentiation, including the aspect of eating quality
- Enhanced models for integration and increased efficiency across the supply chain
- Building capacity in the industry to respond more effectively to market needs within the red meat sector
- Exploiting market opportunities in the wider economy



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 a Classification Service to Northern Ireland processors and the provision of Agency Services to the Rural Payments Agency (RPA). Income from the Northern Ireland Beef and Lamb Farm Quality Assurance Scheme (NIFQAS) is pitched at a cost recovery level only. LMC has been able to avail of EU finance under promotion and information schemes in recent years.

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 seek from DARD the 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.

Classification Fees

Classification fees, payable by processors, are currently set at sheep £0.21 per head and for cattle £1.40 per head subject to a minimum charge per classification officer per day.



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

Under 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 slaughter/processor, £250 for a secondary processor and £100 for a butcher.

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 report 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 2007/08 resulted in an audit fee of £8,000 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.



Human Resources Report

During the year, LMC embarked on a path towards attainment of the Investors in People Standard (IIP). This is a recognised standard, which focuses on improving overall business performance. The initial survey of our staff, which we have used to determine our base line, demonstrated the need for improvement in some areas, but also highlighted areas in which LMC is performing well.

Staff

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

	2006/2007	2007/2008
Percentage days lost through sickness absence	3.32%	3.44%
Cost of absence	£33,146	£35,721
Percentage of annual staff costs	2.38%	2.39%

Whilst there has been a slight rise in absence level (0.12 percentage units) it represents only a small change from the previous year and the total equates to an average of 6.5 days lost per employee. Again there have been a small number of long term absences (five) due to unfortunate personal circumstances. These account for two thirds of the total LMC absence figure.

Equality policy

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.

Charitable donations

It is not LMC policy to make charitable donations.

Environmental sustainability

LMC provides services for the largest private sector industry in Northern Ireland; by assisting towards achieving sustainability of the beef and sheepmeat industry, we contribute to the social betterment of the rural community. LMC has set in place good environmental practices such as maintaining a contract to recycle various waste products (cans, paper, card and plastic). In the first year, 1.7 tonnes of paper and 1.6 tonnes of card were recycled.



Commission Membership

The Minister for Agriculture and Rural Development appoints the chairman and members of the LMC Board for three-year terms. As of 31 March 2008 there are seven members on the Commission (“the Board”); one member has left and two have been appointed during the year:

- Owen Brennan (Chairman)
- Pamela Kane (retired 31 January 2008)
- Greer McCollum
- Nigel McLaughlin
- Richard Watson
- John McGaughey
- Campbell Tweedie (appointed 1 July 2007)
- Jim Noble (appointed 1 February 2008)

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.

Owen Brennan – Chairman

Owen Brennan's appointment as LMC Chairman began in November 2002. He was re-appointed in November 2005, and will hold the post until 31 October 2008. He is currently the Managing Director of Devenish Nutrition. He was previously Managing Director of Nutec Ireland and has a strong marketing background in agri-business. Mr Brennan is a past President of the Northern Ireland Grain Trade Association.



Pamela Kane

Pamela Kane served on the Board from 2002 and retired on 31 January 2008. She worked for 11 years in the pork and bacon industry as a Key Accounts Manager with responsibility for the UK and European retailers, thereby gaining considerable knowledge and experience of the agri-food Industry and the interests of the producer, processor, retailer and consumer. In addition, she brought to LMC the knowledge derived from a farming background. As a member of the Fire Authority for Northern Ireland for six years, she gained valuable experience in the area of public bodies.

Greer McCollum OBE

Greer McCollum was appointed to the Board in January 2003 and re-appointed for a further three years in January 2006. He is a beef, sheep and cereal farmer and former President of the UFU; he is still a current member of the UFU Council and UFU Executive. He is a Board Member of Coleraine Local Action Group for Enterprise Ltd.

Nigel McLaughlin

Nigel McLaughlin was appointed to the Board in January 2003 and re-appointed for a further three years in January 2006. He is a beef and sheep farmer and former Chairman of the North West UFU Group. He is also a board member of Roe Valley Leader, and former member of the NIFQAS Technical Advisory Committee of Northern Ireland Food Chain Certification Committee. He is former Vice-Chairman of NIAPA and was a member of the Agri-Food Vision Foot and Mouth Sub-Group. Nigel is a founder member of two lamb producer groups and provides business support for Highlands Ltd.



Richard Watson

Richard Watson was appointed to the Board in January 2006 and previously served on the Board for three years from 1999 - 2001. He was educated at Portora Royal School and continued his industry development through the Institute of Meat. Richard was appointed as CEO of the Foyle Food Group in 2005 and is involved in many areas of the Northern Ireland meat industry.

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.

Campbell Tweedie

Campbell Tweedie was appointed to the Board in July 2007. He has been in the vanguard of the Northern Ireland meat processing industry for the past five decades, beginning in the offal department of the old Belfast Abattoir. Throughout his career Campbell has developed many business interests in the meat processing industry and successfully built trading relationships with all of the major retail and food service customers of our industry today, both in the UK and mainland Europe.



He is current President of the Northern Ireland Meat Exporters' Association; he farms outside Newtownards and is active in Church and charity activities.

Jim Noble

Jim 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.

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 all 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 at the time.

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 below, the employees covered by this report hold appointments, which are open-ended until they reach the normal retiring age of 65. Policy relating to notice periods and termination payments 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.

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Name	2007-08		2006-07	
	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
Mr O Brennan <i>Chairman</i>	15-20	-	15-20	-
Mr G Orr <i>Board Member</i> (Until 30 September 2006)	-	-	0-5 (Full year equivalent 5-10)	-
Mr M White <i>Board Member</i> (Until 3 December 2006)	-	-	0-5 (Full year equivalent 5-10)	-
Mrs P Kane <i>Board Member</i> (until 31 January 2008)	5-10 (Full year equivalent 5-10)	-	5-10	-
Mr N McLaughlin <i>Board Member</i>	5-10	-	5-10	-
Mr G McCollum <i>Board Member</i>	5-10	-	5-10	-
Mr R Watson <i>Board Member</i>	5-10	-	5-10	-
Mr J McGaughey <i>Board Member</i> (from 1 October 2006)	5-10	-	0-5 (Full year equivalent 5-10)	-
Mr C Tweedie <i>Board Member</i> (from 1 July 2007)	0-5 (Full year equivalent 5-10)	-	-	-
Mr J Noble <i>Board Member</i> (from 1 February 2008)	0-5 (Full year equivalent 5-10)	-	-	-
Mr D Rutledge <i>Chief Executive</i>	85-90	-	85-90	-
Dr M Tempest <i>Technical Director</i>	55-60	-	55-60	-
Mrs Naomi Waite <i>Marketing Director</i>	35-40	-	45-50	-

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 and thus recorded in these accounts.

Benefits in kind

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

NILGOSC Pensions (audited)

Name	Accrued pension at age 65 as at 31/3/08 & related lump sum	Real increase in pension & related lump sum at age 60	CETV at 31/3/08	CETV at 31/3/07	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Mr D Rutledge <i>Chief Executive</i>	45-50	0-2.5	190	170	13	-
Dr M Tempest <i>Technical Director</i>	95-100	0-2.5	403	389	-	-
Mrs Naomi Waite <i>Marketing Director</i>	5-10	0-2.5	22	14	7	-

Pension benefits are detailed in Note 22 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.



D Rutledge
Accounting Officer
4 June 2008



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, defines 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.

LMC Board

The LMC Board meets once a month and exercises full and effective control over LMC. The Board comprises a chairman and 6 non-executive¹ 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

¹ All Board members are independent from the day to day running of LMC; however, they are selected by DARD for their knowledge of the red meat industry and as representatives of their own sectors within the industry (e.g. producers and processors).



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- 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; and
- 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 Environmental 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 45).

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. DARD, once they have agreed the plan, submit it to the Department of Finance and Personnel (DFP) 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. 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 2007/2008 were:

- Mr David Gray (Chair): independent, external member appointed by the Board in April 2007, for an initial one year period, renewable for up to 2 further years
- Mrs Pamela Kane: non-executive Board member appointed by the Board in February 2005 until 31 January 2008
- Mr Richard Watson: non-executive Board member appointed by the Board in March 2006 for a 3 year period (or until Board membership ends, whichever is sooner)
- Mr Nigel McLaughlin: non-executive Board member appointed by the Board in August 2007 for the duration of his membership of the Board

Reporting

The Audit Committee meets at least four 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:



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- 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 management letter
- 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 reports the results of that review to the Board



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 Government Accounting Northern Ireland.

The current accountability arrangements in LMC were instigated in March 2005 with the appointment of the undersigned as Accounting Officer and the implementation of a Management Statement and Financial Memorandum defining the accountability arrangements to our sponsor Department, the Department of Agriculture and Rural Development. As Accounting Officer I am supported by monthly Board Meetings, by an Audit Committee and by an Executive Committee, with members of that Committee producing Stewardship Reports in regard to their particular functional responsibilities. The Audit Committee comprises three members of the Board and is chaired by an independent, external member (appointed by the Board) who brings expertise in financial and accounting matters to the Audit Committee. During the year, no executive management served on the 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, their 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 2008 and up to the date of approval of the annual report and accounts, and accords with DFP guidance.

Capacity to Handle Risk - Leadership

Leadership is given to the risk management process via the Board, the Audit Committee and the Executive Committee. The Executive Committee monitors and reviews the Risk Register, revising it to reflect evolving risk issues at least quarterly (this will increase to monthly reviews next year). 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.

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

Within each functional area, the Risk Register is maintained by the responsible manager. These risks are discussed at least quarterly by the Executive Committee and from these functional risks are drawn the Corporate Risk Register. During 2007/08, risk priorities were:

- Implement the requirements of the Management Statement and Financial Memorandum
- Risks arising from external economic circumstances
- Risks arising from external Government actions



The Risk Register is disseminated throughout the organisation and managers seek to develop and embed risk management in all aspects of the management process. The key stakeholders of LMC are the beef and sheepmeat farmers and processors who pay a levy to LMC, together with DARD, our sponsor department. Frequent meetings with all of the key stakeholders seek to ensure that the risks facing the industry and LMC are disseminated widely and debated fully to reach appropriate conclusions for LMC and the industry we serve.

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 prepared in February 2006.

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 extensively updated in November 2007.

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 Order. LMC has defined its policy and procedure through this policy, which was revised in November 2007.

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



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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. 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. 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 where appropriate. In particular, in the incoming year, LMC plans to implement any matters arising from the Internal Audit report, the External Auditor's management letter and other reports.

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



D Rutledge
Accounting Officer
4 June 2008



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 judgements 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.



**LIVESTOCK AND MEAT COMMISSION
FOR NORTHERN IRELAND**

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 Livestock and Meat Commission for Northern Ireland for the year ended 31 March 2008 under the Livestock Marketing Commission Act (Northern Ireland) 1967. These comprise the Income and Expenditure Account, the Balance Sheet, the Cash Flow Statement and Statement of Total Recognised Gains and Losses 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

The Commission and Chief Executive as Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the financial statements in accordance with the Livestock Marketing Commission Act (Northern Ireland) 1967 and Department of Agriculture and Rural Development's directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of the Commission and Accounting Officer's Responsibilities.

My responsibility is to audit the financial statements and the part of the remuneration report to be audited in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Livestock Marketing Commission Act (Northern Ireland) 1967 and Department of Agriculture and Rural Development's directions made thereunder. I report to you whether, in my opinion, the information, which comprises the Summary of Core Objectives, Funding and Audit, Human Resources and Corporate Governance included in the Annual Report is consistent with the financial statements. I also report whether 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.

In addition, I report to you if the Livestock and Meat Commission for Northern Ireland has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by the Department of Finance and Personnel regarding remuneration and other transactions is not disclosed.

I review whether the Statement on Internal control reflects Livestock and Meat Commission for Northern Ireland compliance with the Department of Finance and Personnel's guidance, and I report if it does not. I am not required to consider whether this statement covers all risks and controls, or form an opinion on the effectiveness of Livestock and Meat Commission for Northern Ireland's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. This other information comprises the Chairman's Statement, Chief Executive's Review, Marketing Director's Report, Technical Director's Report, Northern Ireland Red Meat Task Force, Commission Membership and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

Basis of audit opinions

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgements made by the Commission and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Livestock and Meat



LIVESTOCK AND MEAT COMMISSION FOR NORTHERN IRELAND

Commission for Northern Ireland's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the financial statements and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error, that 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. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the financial statements and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the financial statements give a true and fair view, in accordance with the Livestock Marketing Commission Act (Northern Ireland) 1967 and directions made thereunder by Department of Agriculture and Rural Development, of the state of Livestock and Meat Commission for Northern Ireland's affairs as at 31 March 2008 and of its net operating costs, the cash flows and recognised gains and losses for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with the Livestock Marketing Commission Act (Northern Ireland) 1967 and Department of Agriculture and Rural Development's directions made thereunder; and
- information, which comprises the Summary of Core Objectives, Funding and Audit, Human Resources and Corporate Governance included in the Annual Report is consistent with the financial statements.



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.

Report

I have no observations to make on these financial statements.

JM Dowdall CB
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast BT7 1EU
10 June 2008

**LIVESTOCK AND MEAT COMMISSION
FOR NORTHERN IRELAND**

Income and expenditure account for the year ended 31 March 2008

	Notes	2008 £	2007 £
Income			
Income from activities	2	3,325,034	3,899,268
Expenditure			
Staff and related costs	3	1,557,558	1,462,177
Depreciation (net of deferred grant release)		70,026	63,018
Other operating charges	4	2,782,575	2,568,292
		4,410,159	4,093,487
Operating (deficit)			
	2	(1,085,125)	(194,219)
Income from investments	5	112,989	103,124
Notional cost of capital	1 & 12	(138,292)	(125,057)
(Deficit) on ordinary activities before taxation			
		(1,110,428)	(216,152)
Taxation	6	22,598	19,594
(Deficit) for the financial year			
	12	(1,133,026)	(235,746)
Transfer from/(to) designated reserves	12	280,012	(74,020)
Transfer (from) reserves			
		(853,014)	(309,766)

All amounts above relate to continuing operations of LMC.
The notes on pages 60-75 form part of these accounts.

**Statement of total recognised gains and losses for the year ended
31 March 2008**

	2008 £	2007 £
(Deficit) for the financial year after notional cost of capital	(1,133,026)	(235,746)
Actuarial gain in respect of defined benefit pension scheme	1,469,000	94,000
Prior year adjustments	-	-
Unrealised surplus on revaluation of property	219,014	72,670
Total gains/(losses) recognised since last annual report	554,988	(69,076)

**Note of historical cost surplus and deficits for the year ended
31 March 2008**

	2008 £	2007 £
Reported (deficit) on ordinary activities before taxation	(1,110,428)	(216,152)
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	27,814	22,473
Historical cost (deficit) on ordinary activities before taxation	(1,082,614)	(193,679)
Historical cost (deficit) for the year after taxation	(1,105,212)	(213,273)

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Balance sheet as at 31 March 2008

	Notes	2008 £	2007 £
Fixed assets			
Tangible assets	7	1,893,131	1,712,991
Current assets			
Debtors	9	786,346	996,765
Investments	10	1,429,438	1,347,769
Cash at bank and in hand		1,394,800	2,185,384
		3,610,584	4,529,918
Current liabilities			
Creditors: amounts falling due within one year	11	964,134	990,088
Net current assets		2,646,450	3,539,830
Total assets less current liabilities		4,539,581	5,252,821
Creditors: amounts falling due after more than one year			
Pension scheme creditor	22	240,000	1,650,000
Total assets less liabilities		4,299,581	3,602,821
Reserves			
Income and expenditure account	12	1,469,174	747,579
Revaluation reserve	12	1,110,514	919,314
Designated reserves	12	1,719,893	1,935,928
		4,299,581	3,602,821

The notes on pages 60-75 form part of these accounts.



D Rutledge
Accounting Officer
4 June 2008

Cash flow statement for the year ended 31 March 2008

	Notes	2008 £	2007 £
Net cash (outflow)/inflow from operating activities	13	(783,664)	182,423
Returns on investments			
Interest received		124,709	92,864
Taxation			
United Kingdom tax paid		(19,593)	(13,771)
Capital expenditure			
Purchase of tangible fixed assets		(31,153)	(12,126)
Sale of tangible fixed assets		786	-
Net cash outflow from capital expenditure		(30,367)	(12,126)
(Decrease)/increase in cash in the year	14	(708,915)	249,390

The notes on pages 60-75 form part of these accounts.

Notes to the financial statements for the year ended 31 March 2008

1 Accounting policies

These financial statements are prepared under the historical cost convention, as modified by the revaluation of certain tangible fixed assets, and in accordance with applicable accounting standards. The significant accounting policies adopted are set out below. The Board of the Livestock and Meat Commission for Northern Ireland Commission (LMC) consider that these accounting policies are suitable, have been consistently applied and are supported by reasonable and prudent judgements and estimates.

Accounting and disclosure requirements

Without limiting the information given, the financial statements meet requirements equivalent to those of the Companies (Northern Ireland) Order 1986 and the Statements of Standard Accounting Practice and Financial Reporting Standards issued or adopted by the Accounting Standards Board and accounting and disclosure requirements issued by the Department of Finance and Personnel (DFP), so far as those requirements are appropriate.

The guidance on the annual reports and accounts of Executive Non-Departmental Public Bodies requires fixed assets to be reflected in the financial statements at current cost.

Tangible fixed assets

The freehold property was valued externally on 31 March 2005 at current market value for existing uses by the Valuation and Lands Agency at £1.5 million. The cost of fixed assets is restated annually, between external valuations, to reflect their replacement cost, using the relevant price indices at the financial year end. The revaluation surplus, net of the corresponding adjustment to accumulated depreciation, is credited to revaluation reserve. Depreciation is calculated to write off the cost, or revalued amount, of tangible fixed assets, less their estimated residual values, on a straight line basis over the expected useful economic lives of the assets concerned. The principal annual rates used are as follows:



		%
Freehold property	-	2.44
Exhibition equipment	-	20.00
Office furniture, fixtures and fittings	-	20.00

Income

All income represented by levies, classification, NIFQAS and RPA fees are accounted for on a receivable basis. Income is stated after deduction of value added tax, where applicable.

Payment to suppliers

LMC is committed to the prompt payment of bills for goods and services received in accordance with the Better Practice Prompt Payers Code. Unless otherwise stated in the contract, payment is due within 30 days of the receipt of the goods or services, or presentation of a valid invoice or similar demand, whichever is later. During the year 95% of bills were paid within this standard.

1 Accounting policies (continued)

Notional costs

The accounts make provision for the notional cost of capital employed by LMC, calculated as 3.5% of the average capital employed over the financial year.

FRS 17 'Retirement Benefits'

LMC provides a defined benefit pension scheme for employees through NILGOSC. The assets of the scheme are held separately from those of LMC. The pension scheme liabilities are measured on an actuarial basis using a projected unit method and are discounted to their present value using appropriate rates.

The pension scheme deficit is recognised in full on the balance sheet as a liability and as a pension scheme reserve. Contributions paid during the year are shown as movements in the liability. Other finance costs and current service costs associated with the pension scheme are recorded in the profit and loss account.

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Any deferred tax relating to a defined benefit liability is offset against the defined benefit liability and not included with other deferred tax assets or liabilities.

2 Income and net operating expenses by activity

	Income from activities £	Net operating expenses £	Operating deficit £	2007 Total £
Levy and Other Income	1,233,144	1,889,996	(656,852)	(92,079)
EU Income	14,691	32,751	(18,060)	(221,376)
Beef Restoration Programme	182,761	182,761	-	-
Rural Payments Agency	245,483	392,929	(147,446)	20,911
Classification Service	737,586	637,195	100,391	114,246
NIFQAS Income	911,369	1,274,527	(363,158)	(15,921)
Total	3,325,034	4,410,159	(1,085,125)	(194,219)

3 Employee information

	2008	2007
	£	£
Staff costs		
Salaries	1,268,796	1,189,773
Social security costs	95,504	89,271
Pension costs	193,258	165,609
Reorganisation costs	-	17,524
	1,557,558	1,462,177

	Number	Number
Average number of persons employed by the commission during the year were:		
Commission members	7	7
Classification/Agency	23	24
Administration (including levy collection)	33	30
	63	61

4 Other operating charges

	2008	2007
	£	£
Information services	304,295	274,916
Market development and advertising	2,180,974	1,953,947
Administration costs:		
Office expenses	211,130	258,239
Aggregate travelling and subsistence	86,176	81,190
	2,782,575	2,568,292

7 Tangible fixed assets

	Freehold land and buildings £	Exhibition equipment, office furniture, fixtures and fittings £	Computers £	Total £
Cost or valuation				
At 1 April 2007	1,713,600	275,866	186,440	2,175,906
Additions	-	16,080	15,072	31,152
Disposals	-	(18,520)	(550)	(19,070)
Indexation	178,214	-	-	178,214
At 31 March 2008	1,891,814	273,426	200,962	2,366,202
Depreciation				
At 1 April 2007	40,800	254,763	167,352	462,915
Charge for the year	46,141	10,510	13,375	70,026
Eliminated in respect of disposals	-	(18,520)	(550)	(19,070)
Revaluation	(40,800)	-	-	(40,800)
At 31 March 2008	46,141	246,753	180,177	473,071
Net book value				
At 31 March 2008	1,845,673	26,673	20,785	1,893,131
At 31 March 2007	1,672,800	21,103	19,088	1,712,991

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8 Capital commitments

	2008 £	2007 £
Capital expenditure		
Contracted for but not provided in the financial statements	Nil	Nil

9 Debtors: amounts falling due within one year

	2008 £	2007 £
Levies-Statutory	115,533	215,783
Rural Payments Agency debtor	90,851	51,404
Classification debtors	125,332	158,744
Farm Quality Assurance Scheme debtors	100,590	128,506
Other debtors	270,809	74,790
Prepayments and accrued income	83,231	155,391
EC Promotions	-	212,147
	786,346	996,765

10 Investments

	2008 £	2007 £
Short-term deposits	1,429,438	1,347,769

11 Creditors: amounts falling due within one year

	2008 £	2007 £
Corporation tax	22,598	19,594
Accruals	304,197	565,501
Deferred Income	538,731	347,492
Other taxation and social security	98,608	57,501
	964,134	990,088

12 Reserves

Designated reserves

	Farm Quality Assurance Scheme £	Classification service £	Total Designated Reserves £	Income and Expenditure Account £
At 1 April 2007	1,107,418	828,510	1,935,928	747,579
Deficit for the financial year				(1,133,026)
Actuarial gain on pension scheme liability				1,469,000
Notional cost of capital				138,292
Other Notional charges				3,480
Transfer from unrealised revaluation reserve to income and expenditure account				27,814
Transferred to other designated reserves	(370,873)	90,861	(280,012)	280,012
Allocation of notional cost of capital	32,844	31,133	63,977	(63,977)
At 31 March 2008	769,389	950,504	1,719,893	1,469,174
				Unrealised Revaluation Reserves £
At 1 April 2007				919,314
Surplus on revaluation of fixed assets at year end				219,014
Transfer from unrealised revaluation reserve to income and expenditure account				(27,814)
At 31 March 2008				1,110,514

13 Reconciliation of operating surplus to net cash inflow from operating activities

	2008	2007
	£	£
Operating (deficit)	(1,085,125)	(194,219)
Depreciation charge	70,026	63,018
Actuarial gain recognised	1,469,000	94,000
Decrease/(increase) in debtors	198,702	(326,636)
(Decrease)/increase in creditors	(1,438,961)	542,709
Notional charge	3,480	3,551
Profit on disposal of tangible fixed assets	(786)	-
Net cash (outflow)/inflow from operating activities	(783,664)	182,423

14 Reconciliation of net cash flow to movement in net deb

	2008	2007
	£	£
(Decrease)/increase in cash for period	(708,915)	249,390
Net fund at 1 April 2007	3,533,153	3,283,763
Net fund at 31 March 2008	2,824,238	3,533,153

	At 1 April 2007	Cash Flow	At 31 March 2008
	£	£	£
Cash at bank and in hand	2,185,384	(790,584)	1,394,800
Investments	1,347,769	81,669	1,429,438
	3,533,153	(708,915)	2,824,238

15 Corporate financial targets

LMC receives no government funding and DARD sets no financial targets. As required by the Management Statement and Financial Memorandum, LMC's business plan for the year was approved by DFP.

LMC receives income from the Rural Payments Agency (RPA), as RPA's agent in Northern Ireland.

16 Losses and special payments

There were no losses or special payments in the year.



17 Related party transactions

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

In addition LMC is a one-eighth owner of Northern Ireland Food Chain Certification (NIFCC) and is represented on the board of directors. During the year LMC provided accounting, administration and human resources services to NIFCC valued at £81,549. NIFCC provided LMC with inspection services and marketing information during the year valued at £762,709. The amount due to NIFCC at 31 March 2008 was nil.

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

18 Post balance sheet events

The Annual Report and Accounts were authorised to be issued and laid in the Northern Ireland Assembly on Friday 4th July 2008. There are no significant post balance sheet events arising.

19 Contingent liabilities

There are no contingent liabilities arising at the year-end.

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20 Intra Government Balances

	Debtors: amounts falling due within one year £	Debitors: 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	90,851	-	121,206	-
Balances with local authorities	-	-	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Balances with bodies external to government	695,495	-	842,928	240,000
At 31 March 2008	786,346	-	964,134	240,000
Balance with other central government bodies	51,404	-	77,095	-
Balances with local authorities	-	-	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Balances with bodies external to government	945,361	-	912,993	1,650,000
At 31 March 2007	996,765	-	990,088	1,650,000



21 Financial instruments

FRS 13, *Derivatives and Financial Instruments*, requires disclosure of the role which financial instruments have had during the period in creating or changing the risks an entity faces in undertaking its activities. Because of the largely non-trading nature of its activities and the way in which it is financed, LMC is not exposed to the degree of financial risk faced by business entities. Moreover, financial instruments play a much more limited role in creating or changing risk than would be typical of the listed companies to which FRS 13 mainly applies. LMC has very limited powers to borrow or invest surplus funds and except for relatively insignificant forward purchases of foreign currency, financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing LMC in undertaking activities.

As permitted by FRS 13, debtors and creditors which mature or become payable within 12 months of the balance sheet date have been omitted from the currency profile.

Liquidity risk

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

Interest rates and foreign currency risks

All LMC's material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or foreign currency risk.

Fair values

There is no material difference between the book values and fair values of LMC's financial assets and liabilities as at 31 March 2008.

22 Pension scheme information

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 sixty-five thousand members. It



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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. Benefits accrue at a rate of 1/80th of pensionable pay for each year of reckonable service and a lump sum retiring allowance at a rate of 3/80ths of pensionable pay for each year of reckonable service. Employees pay contributions of 6% of pensionable earnings. All pensions are reviewed annually in April under the Pension Increase Legislation and increased in line with inflation. On death of a member, widows receive a pension paid at a rate of one half of the husband's pension at the date of death. Widowers receive a pension paid at a rate of one half the proportion of pension at the date of death which related to the wife's post 5 April 1988 service. On death in service, there is a lump sum payment due to employee's estate of two years' pensionable pay. If the employee has at least 2 years service, the surviving husband or wife will receive a short- and long-term pension. To finance these benefits, assets are accumulated in the scheme and are held separately from the assets of the employers.

An actuarial valuation of the scheme was carried out as at 31 March 2007. 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 2011 will increase annually to 15%, 16% and 17% respectively.

The principle assumptions used by the independent qualified actuaries in updating the valuation to 31 March 2008 for FRS17 purposes were:

	2008	2007	2006
	%	%	%
Rate of salary increases	5.1	4.7	4.6
Discount rate	6.9	5.4	4.9
Inflation assumption	3.6	3.2	3.1
Pension increases	3.6	3.2	3.1

22 Pension scheme information (continued)

LMC's share of assets and liabilities in the scheme and the expected rates of return were:

	Long-Term rate of return expected at 31 March 2008 %	Value at 31 March 2008 £	Long-term rate of return expected at 31 March 2007 %	Value at 31 March 2007 £	Long-term rate of return expected at 31 March 2006 %	Value at 31 March 2006 £
Equities	7.7	4,287,000	7.8	4,141,000	7.4	4,100,000
Bonds	5.7	630,000	4.9	775,000	4.6	600,000
Property	5.7	441,000	5.8	565,000	5.5	400,000
Cash	4.8	84,000	4.9	63,000	4.6	100,000
Total market value of assets		5,442,000		5,544,000		5,200,000
Present value of scheme liabilities		5,682,000		7,194,000		6,900,000
Deficit in scheme		(240,000)		(1,650,000)		(1,700,000)
Net pension deficit		(240,000)		(1,650,000)		(1,700,000)

Analysis of the amount charged to operating charges

	2008 £	2007 £
Current service cost	193,000	167,000
Past service cost	-	-
(Gains)/losses on settlements and curtailments	-	74,144
Total operating charge	193,000	241,444

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Analysis of the amount credited to operating charges

	2008 £	2007 £
Expected return on pension scheme assets	(395,000)	(360,000)
Interest on pension scheme liabilities	389,000	347,000
Total operating (credit)	(6,000)	(13,000)

Analysis of the amount recognised in the statement of total recognised gains and losses

	2008 £	2007 £
Actual return less expected return on pension scheme assets	(595,000)	(62,000)
Experience gains/(losses) arising on scheme liabilities	947,000	(100,000)
Gains arising from changes in assumptions underlying the present value of scheme liabilities	1,117,000	256,000
Actuarial gain recognised in the statement of total recognised gains and losses	1,469,000	94,000

History of the amount recognised in the statement of total recognised gain and losses

	2008 £	2007 £
Actual return less expected return on pension scheme assets	(595,000)	(62,000)
Experience gains/(losses) arising on scheme liabilities	947,000	(100,000)
Actuarial gain recognised in the statement of recognised gains and losses	1,469,000	94,000

Analysis of movements in deficit during the year

	2008	2007
	£	£
At beginning of year	(1,650,000)	(1,700,000)
Current cost service	(193,000)	(167,000)
Employers' contributions	128,000	184,144
Impact of settlements and curtailments	-	(74,144)
Net return on assets	6,000	13,000
Actuarial gain/(loss)	1,469,000	94,000
At end of year	(240,000)	(1,650,000)



**LIVESTOCK AND MEAT COMMISSION
FOR NORTHERN IRELAND**





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