

Livestock and Meat Commission for Northern Ireland

Annual Report and Accounts  
for the year ended 31 March 2013

*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*

*5 July 2013*



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## **Chairman's Statement**

I am pleased to present the forty sixth Annual Report and Accounts of the Livestock and Meat Commission for Northern Ireland (LMC) covering the period from 01 April 2012 to 31 March 2013.

Following on from a year of considerable change and restructuring I am pleased to report that LMC has yet again had a very successful year working on behalf of the beef and sheep meat sector in Northern Ireland.

Even though the year was successful it was not without many challenges, internal and external, impacting on the sector. The long extended winter and the continuing weather problems has resulted in increased costs across the sector but has hit sheep producers particularly harshly and has had a devastating impact on their farms.

We also faced a major issue concerning horse meat contamination in processed beef products which resulted in a loss of consumer confidence in the processed beef sector and in products such as burgers, lasagne and ready meal products. We in the LMC faced this issue head-on and took measures to address the loss of consumer confidence including the launching of a very high profile Media advertising campaign which highlighted the Northern Ireland Farm Quality Assurance Scheme (FQAS) and the credentials of products bearing the logo. This campaign was very successful and I wish to express my thanks to all involved.

The FQAS has just celebrated its 20<sup>th</sup> year and I would like to acknowledge the foresight, determination and diligence of our former Board members, Management, and Industry

Representatives for creating a Northern Ireland Farm Quality Assurance Scheme which has stood the test of time and maintained the highest standards throughout its 20 years representing the Red Meat industry.

LMC continues to develop and support the FQAS programme and I am happy to report that it has witnessed a very strong increase in participation by Producers, Processors and Retailers in the last year.

The red meat industry continues to operate in a challenging economic environment and our industry must continue to adapt to meeting the challenge of maintaining consumption and to be at the forefront in discovering new opportunities that arise in the sector.

I wish to express my gratitude to the members of the Board for their commitment and dedication to the work of LMC. I especially wish to thank Mr. John McGaughey, who recently retired, for his dedication and service to the Board of LMC during his term of office. John made an outstanding contribution to work of LMC and played a key role in the restructuring of the Commission.

On behalf of the Board I want to express our appreciation to Mr. Ian Stevenson, our Chief Executive, who has concluded his first full year leading LMC. Ian became Chief Executive following a major fundamental review and restructuring of LMC and his leadership skills and strategic foresight have ensured that LMC continues to deliver the needs of our stakeholders.

I also want also to extend a special and sincere thank you to all the management and staff of LMC for their loyalty and dedication to LMC. On behalf of the Board I wish to express our thanks to the Agriculture and Rural Development Minister and to her officials in DARD for their continued support and guidance.

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



Patrick O'Rourke

Chairman

28 May 2013

## **Chief Executive's Review**

### **The Beef and Sheep Market Year in Review**

Despite underlying concerns about the state of the UK and Euro zone economies, the red meat trade has remained resilient throughout 2012/13 in those key markets for Northern Ireland beef and lamb. Farmgate beef prices increased sharply in the second half of the year and sheep prices, despite having been under considerable pressure early in the year, recovered in the final quarter. The horsemeat crisis which dominated the national news during the final quarter threatened to derail the improvements in the beef market. However, the consumer response to the crisis was measured, with demand for fresh beef remaining particularly robust. On a more negative front, rising input costs continued to be a concern at farm level with particularly challenging weather conditions creating a significant burden for producers throughout 2012 / 13.

### **Difficult weather conditions**

At the time of writing, NI cattle and sheep farmers are continuing to endure the impact of the volatile weather which was a feature of the entire financial year. The year started with unseasonably cold weather in April and May 2012 and the inclement weather continued throughout the summer. Poor grass growth meant that cattle were housed earlier than normal and in poorer condition. The difficult grass conditions also meant that the volume and quality of fodder conserved for winter feeding was disappointing and these issues have been compounded by the late start to spring 2013 which hampered any prospect of an early turn-out of cattle to grass. The result has been exceptionally high feed costs and an unfolding fodder crisis whereby producers have run out of feed and have struggled to acquire silage and straw at any price. For hill farmers, these issues were compounded by heavy snowfall in March 2013 which lay for several weeks in the

Glens of Antrim, Dromara Hills and in parts of the Sperrins. The loss of over 40,000 head of sheep and over 1,000 head of cattle added significant costs to a sector already under pressure.

### **Stronger farmgate beef prices**

Farmgate prime cattle prices rose by six per cent in 2012/13, finishing the year significantly higher than 2011/12 levels. Farmgate R3 steer prices averaged 333p/kg over the course of the year and by March 2013, R3 prime cattle prices averaged 365p/kg. This was 10 per cent higher than March 2012 prices. Following restricted supplies of prime cattle in Northern Ireland in 2011/12, supplies remained tight in 2012/13. Clean cattle slaughterings increased by one per cent year-on-year with 342,500 prime cattle and calves presented for slaughter. Cow slaughterings increased by 13 per cent with over 100,000 head slaughtered in 2012/13. Cattle slaughterings would have been lower were it not for a 25 per cent increase in imports of cattle for direct slaughter during the year. Approximately 40,000 head were imported into Northern Ireland in 2012/13, with the majority coming from the Republic of Ireland. The increase in imports more than offset a 90 per cent increase in exports of cattle for direct slaughter to Great Britain as a result of higher farmgate prices in Scotland and England.

### **Consumers take measured approach to horsemeat crisis**

The horsemeat crisis, which initially arose out of the discovery of horse DNA in processed beef products supplied by a processor in ROI, threatened to destabilise demand for the entire beef category in the final quarter. As the crisis unfolded and horse DNA was identified in processed beef products on retail shelves across Europe, concerns grew about the damage caused by the negative media exposure. Initial reports on demand

trends following this crisis, indicated that the consumer response to the crisis was measured. Consumers reduced expenditure on frozen burgers and ready meals in Great Britain, switching to fresh beef and lamb alternatives. Beef volumes were essentially unchanged in the final quarter compared to the same period in 2011/12. This was particularly impressive given that average prices were four per cent higher meaning that overall expenditure on beef was up by five per cent year-on-year. One of the key outcomes of the horsemeat crisis was increased focus on simplification of the supply chain and on adherence to market specifications. This was particularly evident through increased demand for farm quality assured cattle at the point of slaughter. Factories applied stiffer incentives for producers to supply quality assured stock and the NI Beef and Lamb Farm Quality Assurance Scheme attracted significantly more members in the final quarter of the year.

### **Recovery in the sheep trade**

The year was notable for a substantial recovery in Northern Ireland sheep production and for the volatility in the trade. Northern Ireland sheep slaughterings amounted to 432,000 in 2012/13 with a 37 per cent increase in supply relative to 2011/12. The number of Northern Ireland sheep presented for slaughter in the Republic of Ireland and Great Britain also increased with 514,000 head exported for direct slaughter. This was an increase of eight per cent on the previous year with the majority of these sheep exported to ROI. For the year as a whole, deadweight lamb and hogget prices averaged 360p/kg. This was 15 per cent lower than 2011/12 levels.

The sheep trade endured a particularly turbulent start to the year with rising supply, unfavourable developments in exchange rates and downward pressure on farmgate prices.

In the first quarter of 2012/13, deadweight lamb prices were 18 per cent lower than the same period in 2011/12. This was driven by an eight per cent decline in the sterling value of the euro which in turn led to a 16 per cent decline in live exports of lamb to ROI for direct slaughter. Live exports recovered strongly in the second half of the year and this recovery was driven to some extent by a decline in the value of sterling. This trend was particularly pronounced in the final quarter when there was a corresponding recovery in farmgate lamb / hogget prices with prices in March 2013 similar to March 2012 levels.

The retail lamb trade has performed well during the year with a substantial uplift in lamb consumption. In Great Britain, retail lamb prices were five per cent lower compared to previous year levels. As a result, sales volumes increased by 15 per cent year-on-year while consumer expenditure on lamb increased by nine per cent over the course of the year.

### **LMC Developments**

The Northern Ireland red meat industry continues to operate within a very complex and challenging commercial environment and it is within this environment that LMC provides its services. LMC has very good working relationships and communicates regularly with its funding stakeholders and with its sponsor Department, DARD. During the year LMC met individually with each of the farming organisations and red meat processors to discuss our plans and activities and we were heartened by the positive and constructive feedback obtained through these important meetings. LMC continued with the implementation of its programme of reorganisation which was stimulated by the conclusion of the Strategic Review of LMC in January 2011. With a clearly defined

mission statement for the reorganised LMC ‘to support, examine and inform the marketing and development of the Northern Ireland beef and sheep meat industry’ our functional areas and staffing complements have been tailored to deliver on this mission statement which dovetails with our statutory functions under the 1967 LMC Act. During the year LMC was actively involved in the work of the Agri-Food Strategy Board by participating in the red meat sub group of the Board. LMC remains ready to play a full and active role in facilitating the implementation of any relevant recommendations for the benefit of the NI red meat sector.

Since the current levy rates for LMC were agreed in 2003 inflation has eroded their spending power in real terms by approximately 30%, reflecting the increase in the Consumer Prices Index over the last 10 years. Through the programme of reorganisation and continual examination of how we deliver our services effectively and efficiently, LMC has been able to work within its available resources to deliver a comprehensive programme of activity in support of the red meat industry. A summary of this programme of activity is outlined in the Departmental Reports and in the Summary of Achievement of Core Objectives in this Annual Report. Whilst LMC does not envisage the need to seek an increase in levy rates for the immediate future, we are prioritising the development of suitable arrangements to collect levy income on exports of live cattle and sheep from Northern Ireland. Collection of export levy has been encouraged by our stakeholders and it will be an essential development to maintain a sustainable level of income to LMC and our subsequent service provision to industry going forward.

LMC continued to work with DARD during the year to conclude some of the outstanding matters from the LMC Review Implementation. An application for re-classification of the

LMC's accounts from Departmental Expenditure Limits (DEL) to Annually Managed Expenditure (AME) has been made by DARD to the Department of Finance and Personnel and the outcome of this application is currently awaited. As the number of cattle and sheep slaughtered within Northern Ireland on an annual basis is the main determining factor of LMC income it is almost impossible to end each financial year in absolute balance between income and expenditure. Predicting livestock numbers that will be presented for slaughter is not an exact science and LMC is working with DARD to try and maximise the flexibilities available to LMC within a rigid government framework. LMC's circumstances are unique in that it receives no grant in aid from central government and we welcomed the support of our Sponsor Branch in DARD during the year who successfully negotiated that LMC would not fall under the new Northern Ireland Executive controls for campaign advertising, which would have severely curtailed LMC's ability to undertake promotional activity on FQAS beef and lamb.

LMC was delighted to have hosted many stakeholder meetings and visitors at its headquarters at Lissue House during the year and with our location in close proximity to the new Balmoral Park development we are looking forward to the possibility of welcoming even more visitors to our offices in the future as the site at the Maze is developed. During the year LMC commissioned a conservation condition report on Lissue House and we are engaging with DARD to ensure that any expenditure that has to be made by LMC in maintaining the Lissue House asset is invested for the benefit of the red meat industry from where our income originates.

## **Human Resources**

In last year's Annual Report LMC indicated that 2012/13 would be a year of capacity building for LMC with plans to recruit two additional personnel to the LMC staff team to help meet the ambitious programme of activity that we were planning to deliver for our stakeholders going forward. I am delighted to report that we were able to recruit two new staff to these positions and they have both settled in very well to the excellent staff team at LMC. We also recruited two new staff to fill vacancies which became available during the year and again they have both settled in extremely well.

Without the day to day commitment, passion, expertise and contribution of its excellent management and administrative staff, LMC could not provide the high level of professional service which is required by the beef and sheep meat industry and by DARD. As Chief Executive, I am particularly grateful to all members of staff for their support and for their tremendous efforts in managing, maintaining, growing and administering the many and varied activities of LMC throughout the year. I would also like thank those employees who left LMC during the year for their service to LMC and the red meat industry and we wish them well in the remainder of their careers.

## **Staff Absence**

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

	<b>2012/13</b>	<b>2011/12</b>
<b>Average days lost per employee through sickness absence</b>	7.6	6.5
<b>Cost of absence</b>	£8,593	£12,482
<b>Percentage of annual staff costs</b>	1.76%	3.00%

## **Equality and Good Relations**

In 2012 LMC revised its Equality Scheme to comply with new guidance on Section 75 responsibilities under the Northern Ireland Act 1998. LMC remains fully committed to effectively fulfilling its Section 75 statutory duties across all of our functions through the effective implementation of our Equality Scheme. Our new Equality Scheme was approved by the Equality Commission in February 2013 and LMC will be taking forward, in its current strategic planning cycle, the audit of inequalities action plan which we developed and consulted with stakeholders on, during the revision of the Scheme.

## **Environmental Sustainability**

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

## **Financial Review**

The accounts for the year are set out on pages 73 to 96. Income from LMC activities for the year of account increased by £262k, mainly as a result of the agreed implementation of FQAS producer membership fee increases from 01 April 2012 and from additional income realised through increased slaughterings of cattle and sheep during the reporting year. At the beginning of the financial year we had forecasted an uplift in income relative to 2011/12 and we had designed an ambitious programme of activity to match with this

projected income. During the course of the year however the level of cattle and sheep slaughterings showed significant and unexpected sustained increases which we could not have forecasted accurately with the available information at the beginning of the year. As a result of this increase in income, we were able to add to some of our planned programmes of activity during the last quarter of the year, most notably enhancing the FQAS advertising campaign and providing financial support on behalf of the red meat sector to the establishment of Animal Health & Welfare Northern Ireland. At year end 31 March 2013 we recorded a small surplus for the year, including notional adjustments, of £75,453 as set out in the income and expenditure account on page 73. A detailed analysis of the individual segments of LMC is shown on page 88 at Note 7.

The market value of pension scheme assets at year end of £7.91 million have shown an increase in value of £948,000 compared to last year. The present value of the pension scheme obligation at £9.35 million has increased from £8.29 million at the previous year end resulting in a pension deficit at year end of £1.44 million. LMC is pleased to report that we continue to remain in a strong position financially to deliver a full, ambitious and efficient programme of activity for the benefit of all our levy funders and stakeholders.



Ian Stevenson

Chief Executive

17 June 2013

## **Summary of Achievement of Core Objectives 2012/13**

### **Organisational Purpose**

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

### **Vision**

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

### **Mission**

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

## Values

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

## Strategic Objectives

LMC has six Strategic Objectives:

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

## Summary of Achievement of Strategic Objectives – 2012/13

Supporting these Strategic Objectives are Business Objectives for the financial year 2012/13. Highlights in our performance against the year's business objectives in contributing to the achievement of our strategic objectives are set out in the table below.

In order to monitor these objectives individual targets were identified under each of the business objectives. Of the targets which are substantially achieved or not achieved, none had any material implications for delivery of the LMC business plan, nor did they compromise LMC's legal or legislative obligations. For further information on the monitoring of 2012/13 business objectives please contact LMC.

**The table below sets out LMC performance against targets in support of LMC Strategic Objectives for the year 2012/13**

<b>Targets in support of LMC Strategic Objectives</b>	<b>Assessment of Achievement</b>
<b>Strategic Objective 1: The industry is equipped with the tools to encourage its commercial development</b>	
To attend all Sustainable Beef Working Group and other relevant SAI platform meetings during the year	Fully achieved
To publish at least two articles in the LMC Bulletin (or press) to inform industry of SAI developments	Fully achieved
To participate in Defra / Devolved Administration Greenhouse Gas Platform R&D project meetings and report as appropriate to Red Meat Strategic Forum	Fully achieved
To honour LMC financial commitments made to LINK Forage Breeding R&D Project being undertaken at IBERS Aberystwyth	Fully achieved
To work with the NI industry to identify potential new third country export markets and to support the work of the UK Export Certification Partnership (UKECP) to gain access to these emerging markets	Fully achieved
To provide effective custodianship of Greenfields and meet any challenges to the trademark	Fully achieved
For the FQAS Standard Setting Committee to meet at least twice by Quarter 4 to review FQAS standards	Fully achieved
To publish and distribute an addendum to all FQAS members if agreed changes to the FQAS Standard are required	Fully achieved

To publish and distribute two FQAS newsletters to all scheme members by end of Quarter 4 (one newsletter to be a special edition for 20 year anniversary promotion)	Fully achieved
To complete 1 print run of existing FQAS record books to ensure FQAS members have ready access to required record keeping documents	Fully achieved (Record book stocks did not require replenishment and the budget for this activity was re-allocated to other essential print material - feed declaration labels and FQAS promotional material for butchers)
To attend NIFCC Certification Committee meetings throughout year	Fully achieved
To monitor FQAS registrations, inspections and certifications by NIFCC and publish monthly performance report on LMC website	Fully achieved
For the FQAS Industry Board to meet twice by Quarter 4 to review certification update and performance against contract	Fully achieved
To attend any meetings as required with Assured Food Standards (AFS) throughout the year in order to maintain relationship and correspondence for all relevant aspects of Red Tractor Scheme and standard	Fully achieved
To ensure FQAS remains a recognised equivalent scheme to Red Tractor	Fully achieved
To attend/co-ordinate Lifetime Assurance meetings with AFS as required during the year and to provide information to FQAS members on any developments	Fully achieved
To strategically support AgriSearch to ensure the successful completion of ongoing, and commissioning of new, DARD Directed AFBI Research Projects of benefit to the local sheep sector	Fully achieved
To strategically support the commissioning of, and engagement with, two DARD Directed AFBI Research Projects: 1. Beef from dairy breeds versus beef breeds 2. 'Free-range' grass fed milk and meat – nutritional attributes	Fully achieved

<b>Strategic Objective 2: A better informed industry and general public</b>	
To attend relevant conferences to gain new and relevant information of importance to FQAS and report as appropriate	Fully achieved
To re-develop the FQAS database to extend its functionality and strengthen the risk management associated with the current database in Microsoft Access and future security	Stage 1: Substantially achieved (Tender awarded in February 2013 for IT Analyst to complete a systems analysis, write a technical specification for FQAS database and to assist with procurement of database). Stage 2: Procurement of FQAS database to begin in 2013/14 financial year with defined technical specification.
To carry out 300 school cookery demonstrations by Quarter 4 in post primary schools to educate future shoppers / consumers on the merits of FQAS beef & lamb	Fully achieved
To coordinate a Home Economics Teachers' (HET) Conference, receiving satisfactory feedback from attendees	Not achieved (Did not take place due to extra work of running an enhanced FQAS media campaign in response to the horsemeat in processed beef scandal. Liaison with AHDB/BNF will enable a conference 2nd Quarter of 2013/14 business plan year)
By Quarter 4 conduct beef and lamb sampling sessions with 4 NI multiple retailers and to carry out other ad hoc sampling sessions as demand arises	Substantially achieved (32 completed by end of Quarter 4. Remaining 8 deferred by one multiple retailer until April 2013 due to horsemeat publicity)
Replace trailer and sampling unit graphics to improve public perception of NI FQAS beef and lamb	Fully achieved
To develop and run an advertising campaign to promote FQAS beef	Fully achieved
To produce 50 Bulletins per annum for publication in the local farming press	Fully achieved
To produce 50 Weekly Market Information Updates per annum for publication in the local farming press	Fully achieved
To grow subscriber numbers to weekly text messaging service which provides up to date market information about cattle and sheep prices	Fully achieved

To provide daily updates on beef and sheep market prices on the LMC answerphone	Fully achieved
To produce and distribute four quarterly publications directly to subscribers on strategically important economic, technical and marketing issues	Fully achieved
To coordinate an NI Red Meat Prospects Conference receiving satisfactory feedback from attendees by Quarter 4	Fully achieved
To sustain all current market research information streams over the year and ensure dissemination to stakeholders by citation / reference in LMC Bulletin articles / press releases	Fully achieved
To maintain (through membership of the Gira Meat Club) international information flow relevant to LMC market communication obligations to the industry. Report to stakeholders through two dedicated LMC Bulletin articles, radio interview on forecasts and citations / references in other relevant articles	Fully achieved
To engage in a multi-client study led by Gira on Fifth Quarter opportunities and to disseminate findings	Not achieved (Report was not delivered in 2012/13 by GIRA - purchase deferred. Expenditure reallocated to FQAS advertising campaign)
To sustain all current bought-in market information streams throughout the year and ensure dissemination to LMC staff and stakeholders by citation / reference in LMC Bulletin articles / press releases	Fully achieved
To take delivery of four international market reports during 2012/13. Dedicated reports in LMC Bulletin. Citation / Reference in other articles and press releases as necessary	Fully achieved (A key report and presentation on performance of the Russian meat market was strategically purchased instead of 4 separate reports following the granting of UK market access to Russia during the 2012/13 year)
To attend SIAL & act as a hub for disseminating information on the sector to customers/ potential customers of NI beef and lamb	Fully achieved

<b>Strategic Objective 3: Advising and influencing the policy making process</b>	
To renew membership of the International Meat Secretariat (IMS) allowing interaction with red meat professionals	Fully achieved
To renew subscription to AHDB Brussels office and publish monthly updates on LMC website	Fully achieved
<b>Strategic Objective 4: Facilitating industry relationships with impartiality and integrity</b>	
Attend any meetings of the Beef & Lamb Assurance Council / Regional Assurance Schemes throughout the year and respond to any queries from other Quality Assurance Schemes as required	Fully achieved
To conduct qualitative and quantitative research with non-members of FQAS to identify reasons for not being part of the Scheme and report to FQAS Industry Board on research findings by Quarter 4	Fully achieved
To commission and complete a research study on the causes of the beef price differential between GB and NI by the end of Quarter 4 and to disseminate findings to NI industry	Substantially achieved (Report at draft stage by end of Quarter 4. Final report due in late May 2013)
To attend and report upon a minimum of two international conferences by Quarter 4. Report back to stakeholders through bulletin/seminars within 1 month	Fully achieved
To coordinate a minimum of two Red Meat Strategic Forum meetings by Quarter 4	Fully achieved
By Quarter 4 liaise with CEA exam body; ATHE teacher body; QMS education dept; AHDB education dept in order to maintain & develop relevant educational relationships	Fully achieved
To contribute to joint crisis management / consumer communications initiatives, coordinated by AHDB on behalf of the UK levy bodies and to attend bi-monthly Meatmatters / Meat & Health meetings in London (as required)	Fully achieved
To agree support packages with NIFDA / Supermeat / Farming Awards bodies to recognise the quality of the NI red meat industry	Fully achieved

Planned advertorials in industry publications on a quarterly basis	Fully achieved
To issue at least one press release to the agricultural press each month supplementing with photography as required	Fully achieved
<b>Strategic Objective 5: To be a relevant customer focused organisation that stakeholders understand, and meets their agreed requirements</b>	
To coordinate LMC stand at Balmoral Show	Fully achieved
By Quarter 1 to contribute to L'Agneau Presto lamb campaign aimed at halting the decline of lamb consumption in France	Fully achieved
By Quarter 4 produce and supply wipeable info boards to 350 butchers on database to strengthen relationship with NI butchers and heighten awareness of NIFQA	Fully achieved
To publish statutory LMC Annual Report	Fully achieved
To promote the 20 year anniversary of FQAS: <ul style="list-style-type: none"> <li>• Plaque of recognition for all FQAS members</li> <li>• FQAS awards</li> <li>• Banner for butcher shop windows</li> </ul>	Fully achieved
<b>Strategic Objective 6: To have in place an effective, efficient and sustainable organisation</b>	
To successfully recruit & appoint a part-time Corporate Governance Officer before the end of Quarter 2	Fully achieved
To successfully recruit & appoint a Market Analyst before the end of Quarter 2	Fully achieved
To procure an external service provider to undertake a revision of the LMC Equality Scheme for submission to the Equality Commission by November 2012	Fully achieved

## **Industry Development Department Report**

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

### **1. Industry Development**

Highlights of LMC's Industry Development activity for 2012-13 include the following:

#### **Red Meat Strategic Forum**

During the course of the year LMC continued to facilitate the Northern Ireland Red Meat Strategic Forum (and its three sub groups) with meetings of the main Forum having been held in June 2012 and December 2012. LMC facilitated the Forum's involvement in a number of important strategic matters throughout the year including the ongoing development and roll-out of the Bovine Information System (BovIS) by AFBI; rebaselining the red meat Task Force Cost of Production Index and communicating the benefits of the beef and sheep meat sector greenhouse gas mitigation measures contained in the 'Efficient Farming Cuts Greenhouse Gases' strategy launched by the DARD Minister in December 2011. LMC continues to participate in the Greenmount Abbey Farm KTT Working Group and also advises CAFRE on a range of Knowledge and

Technology Transfer (KTT) Projects with one specifically working with younger farmers. This year the industry, through the Forum, has been considering the potential to apply for an all-island of Ireland PGI status for beef and lamb and have held an exploratory meeting looking at the potential of the halal market.

### **Food and Feed Safety**

LMC continues to facilitate the Industry Feed Assurance Group which met on two occasions in August 2012 and February 2013. Each sector of industry continues to work on implementation of the recommendations in the IFAG Report 'Assuring Food Safety in Northern Ireland' which was launched in January 2011. It is anticipated that the proposals for a new approach to feed assurance will be agreed and launched in June 2013. During the course of the year LMC engaged with the Food Standards Agency Northern Ireland regarding the Food and Feed Industry Advisory Panel (FFIAP). This was especially important during the horsemeat incident in the first quarter of 2013. LMC also work with the FSA (NI) to keep abreast of food labeling proposals and earned recognition of FQAS participation with regard to Food and Feed Hygiene Regulation inspections.

### **Sustainability**

LMC is a member of the Sustainable Agriculture Initiative Platform and is actively participating in the Platform's Sustainable Beef Working Group (SBWG) which met on three occasions in May 2012, September 2012 and January 2013. One of the key pieces of initial work being done by the SBWG is the production of a common Life Cycle Analysis for measuring the carbon footprint of beef production. Three technical sub groups have been formed to work on achieving an industry consensus on the key areas of difference between current carbon footprint measurement tools namely: Allocation,

Sequestration and Land Use and Land Use Change and LMC has facilitated the involvement of technical experts from AFBI in this important work area.

### **Research & Development**

LMC is involved in a number of important Research and Development projects on behalf of its stakeholders. The 'Breeding LINK' Forage Breeding Project which is being undertaken at IBERS Aberystwyth is almost completed. Breeding LINK comprises four projects funded under the Defra Sustainable Livestock Production (SLP) LINK programme. The projects, led by IBERS, are supported by LMC, AHDB-DairyCo, AHDB-EBLEX, British Grassland Society, Germinal Holdings Limited, HCC and QMS, and seek to underpin the development of new varieties of grass and clover to enhance beef, sheep and dairy production whilst reducing the environmental impact of grassland agriculture in the UK. During the 2012/13 reporting year LMC continued to provide financial support to the projects and the outcome on each of the projects will be communicated to industry going forward. LMC were also asked to rejoin the R&D Joint (Levy Body) Committee and participated in two meetings this year. This provides an opportunity to contribute to larger projects on a pro rata basis. LMC is also represented on the AgriSearch Beef and Sheep Advisory Committees and made a financial contribution to sheep research this year. Red Meat research was firmly on the agenda this year and LMC contributed to two important AFBI projects; one looking at the potential benefits of grass fed outdoor production systems for the nutritional quality of red meat and a second looking at the eating quality of dairy beef and beef crosses versus traditional beef breeds.

## **Animal Health and Welfare**

LMC participated in Animal Health and Welfare Stakeholder Forum meetings throughout the year. The meetings are facilitated by DARD and provide an opportunity to update industry representatives on disease trends and welfare issues. Unfortunately TB incidence has risen steadily over the past 12 months and the movement restrictions pose significant challenges for herd owners who as a result must retain and feed more cattle than they may have planned for. On a more positive note there have been no confirmed cases of brucellosis since February 2012, Schmallenberg doesn't appear to have been widely reported as a problem and the BVD eradication initiative part funded by LMC and taken forward by Animal Health and Welfare (NI) is gathering pace.

## **NIFAIS / APHIS**

LMC attended three meetings with DARD officials to discuss NIFAIS (new APHIS). It is hoped that the new system will benefit LMC's service delivery to levy payers by providing a more user friendly and flexible database of information that integrates with LMC's existing databases. LMC's requirements will be explored in more detail after the lengthy procurement process of the new APHIS.

## **Climate Change**

Finally, LMC also participated during the year in the Defra / Devolved Administrations Greenhouse Gas Research Platform. LMC attended two meetings of the Methane Emissions from Livestock Project Advisory Group at Nottingham University in July 2012 and IBERS, Aberystwyth in December 2012 to discuss progress on the 8 separate work packages which are being taken forward under this important research project. LMC has also been actively engaging with the Revised Greenhouse Gas Inventory

Project and in May 2012 participated in the first Knowledge Exchange Workshop in Birmingham which discussed experimental approaches within the Platform and reviewed on going work to develop an improved inventory methodology.

## **2. Education Services and Consumer Promotion**

LMC educates consumers about the true nutritional value of red meat in the diet and promotes beef and sheepmeat in home and export markets. As part of this service to industry, we operate highly valued and successful retail sampling and education services programmes which bring the best of Northern Ireland Farm Quality Assured beef and lamb to the consumers of today and tomorrow. We remain active in export markets through our contribution to the L'Agneau Presto campaign which has been key to supporting lamb demand in France, a key market for the Northern Ireland sheep meat industry

Highlights of LMC's Education and Consumer Promotion activity for 2012-13 include the following:

### **Cookery Demonstrations**

LMC's educational programme continued this year with 303 beef and lamb cookery demonstrations being conducted in Home Economics classes in secondary schools throughout Northern Ireland. LMC's enhanced panel of freelance demonstrators (currently 8 on the panel) has the opportunity to teach young consumers the role of red meat in a balanced diet. The demonstrations are tailored to complement the Home Economics syllabus and pupils are supported in their coursework and homework with

information provided on LMC's nutritional website [www.food4life.org.uk](http://www.food4life.org.uk) . The importance of looking for Northern Ireland Farm Quality Assured beef and lamb is outlined, and the role of the FQA scheme is explained in a meaningful way. Pupils are further enabled to make an informed choice about red meat by discussing suitable cuts, simple, fast, tasty recipes and cooking methods. To disseminate these messages further LMC co-ordinated consumer PR activity which achieved considerable editorial coverage and Ministerial support.

### **Traceability Leaflets**

During the year an updated traceability leaflet, outlining the importance of the Northern Ireland Farm Quality Assurance Scheme, was designed and distributed at all school demonstrations and consumer sampling sessions. Resources promoting the educational food4life website such as USB sticks and pens were also produced.

### **Retail Sampling**

LMC once again promoted the quality, safety and traceability of NI Farm Quality Assured beef across Northern Ireland in a programme of supermarket activity which reached approximately 30,000 shoppers across 40 stores. LMC's panel of demonstrators showed how to prepare and cook simple beef and lamb recipes. Distributing samples at the end of each session gave the demonstrator the opportunity to convey information about the importance of red meat in a balanced diet. Promotional staff working on behalf of LMC handed out recipe and traceability leaflets.

### **L'Agneau Presto**

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

## **MeatMATTERS**

LMC is still a member of the joint levy body initiative Meatmatters, which promotes the benefits of red meat in the diet to consumers across the UK. It also ensures negative press coverage regarding health scares is responded to by appropriate experts in the red meat industry in a timely manner. This work has allowed positive messages about red meat to reach over 42 million consumers across the UK.

## **Stakeholder Engagement**

LMC's presence at Balmoral Show during the reported year gave ample opportunity to explain the role the Commission plays according to stakeholder needs. NIFQA beef rolls were given out to stakeholders and LMC demonstrators conducted beef and lamb sampling sessions during the show. Resources were distributed to all consumers visiting the stand.

In order to recognise excellence in the NI red meat industry LMC supported the NIFDA Awards. LMC created an award, the aim of which was to reward a company / business / group or individual that had used an innovative approach to educate consumers about Northern Ireland Farm Quality Assured beef or lamb. LMC's Education Services Manager was on the main judging panel and LMC members of staff were present at the Awards Dinner. LMC also supported the annual Supermeat Awards.

## **LMC Media Campaign-FQAS**

A media campaign comprising television and radio advertisements, outdoor advertising, online and press advertising ran in the fourth quarter of the reported year. The focus of the campaign was 'Look for the logo, it's a clear indication of quality'. The whole

campaign was supplemented by school cookery demonstrations in schools, sampling in multiple retail outlets and a planned communications programme in the agricultural and consumer press. The campaign was a very timely reminder during the horsemeat incident of the benefits of NIFQA beef and lamb.

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

The Northern Ireland Beef & Lamb Farm Quality Assurance Scheme (FQAS) is owned by the Livestock & Meat Commission for Northern Ireland on behalf of the Beef and Sheep meat industry. FQAS was developed to give consumers assurances about the farm end of the production chain of their food. It is about farm quality - the quality of the production methods used, the quality of care for animals which is practiced, the quality of the farm environment, and above all the quality of concern for the customer in producing beef and lamb which is wholesome, safe and free from unnatural substances.

Highlights of LMC's activity on managing and developing FQAS for 2012-13 include the following:

#### **Participation**

In the first three quarters of the 2012/13 financial year farmer numbers participating in the Northern Ireland Beef & Lamb Farm Quality Assurance Scheme (FQAS) continued to decrease, with an approximate decline of 2.5% in comparison to the 2011/12 financial year. However in the final quarter, January to March 2013, there was a significant increase in applications to the scheme in response to the 'horsemeat incident' and the increased demand for FQAS cattle. In comparison to the financial year end 2011/12 there

has been a 105% increase in FQAS applications. At the end of the 2012/13 financial year producer participation in FQAS stood at 9,654, a contraction in membership of 0.4% relative to the end of the last financial year. Whilst participation in FQAS may have slightly decreased, overall the percentage of price reported domestic prime beef cattle that were farm assured at time of slaughter was 95.2% at the end of the 2012/13 financial year. Steers continued to represent the highest category for assurance proportion at 96% with cull cows reaching a level of 69.3% assurance during the year.

### **Certification**

In the 2012/13 financial year 6,950 surveillance inspections were conducted by the Certification Body Northern Ireland Food Chain Certification (NIFCC), which represents an average surveillance inspection interval of 15.5 months against a maximum target of 18 months. There were 839 spot-check inspections, representing 9.3% of scheme members against a minimum target of 10%. It is important to note that the NIFCC Certification Contract year runs from November to October and as such the reported inspection intervals for the financial year are not directly comparable to the yearly contractual obligations. Ongoing monitoring of performance against contract is undertaken by LMC and reported to the FQAS Industry Board and LMC Board. In January 2013 the FQAS Industry Board was provided with a report on performance against the second year of the Certification Contract (November 2011-October 2012) which clearly showed that targets were being met by the Certification Body.

From 01 November 2012 the FQAS Industry Board agreed to reduce spot check inspections from 10% of members to 5%. This brings the scheme in line with the Red

Tractor Farm Assurance Scheme for Beef & Lamb. LMC negotiated the resulting variation in the Certification Contract price.

### **Product Standard**

In January 2013 all FQAS participants were circulated with an addendum to the April 2010 Product Standard following a few minor amendments as agreed by the Standard Setting Committee. These changes were in response to industry and customer needs, to take account of changes in legislation and to ensure continued recognition of equivalence with the Red Tractor Farm Assurance Scheme for Beef & Lamb. Along with this addendum to the Product Standard, a Winter FQAS Newsletter was also produced and distributed to all members of FQAS featuring some key articles to ensure members of FQAS are kept informed of scheme developments. FQAS also provided scheme members with updated copies of the DARD (Department of Agriculture and Rural Development) Codes of Practice for Farmed Animal Welfare for Cattle and Sheep, following recent changes to these documents which are a fundamental code of practice for FQAS.

### **Scheme Management**

In 2012, FQAS celebrated its 20th Anniversary and undertook some key activities to mark these celebrations: A FQAS commemorative plaque was sent to producer members of FQAS and celebratory banners were given to Butchers Shops. In November 2012 LMC sponsored the Farming Life and Danske Bank Awards with a new award category 'FQAS Farmer of the Year'.

In October 2012 LMC conducted research on FQAS to gather opinions from both members and non-members on perceived benefits of the scheme, awareness of the FQAS

helpline, communications and importance of FQAS. The research findings were very positive with some useful feedback that LMC can use to continually develop the scheme.

Over the course of 2012/13 there was an increased focus on licensing butchers to use the FQAS logo. By Q4 of 2012/13, there were 110 local butchers licensed to use the FQAS logo on farm quality assured beef and lamb. A significant increase from the eight butchers licensed in the previous year.

In March 2013 a systems analysis of the FQAS database was conducted by a third party IT expert in order to develop a report and technical specification into a solution for ongoing development of the FQAS database in line with LMC's future requirements.

### **Farm Liaison**

The FQAS Farm Liaison Service continued to provide valuable assistance before and after inspections to FQAS participants during the 2012/13 reporting period. The Liaison Service continued to actively call members of the FQAS at both suspension and revocation stages to offer assistance in rectification of non-conformances. The Liaison Service handled a significant volume of queries through the FQAS Helpline and referrals from the Certification Body. The FQAS Farm Liaison Officer dealt with on average 250 calls per month from and to members of the FQAS. In December 2012 the Liaison Service was extended to Livestock Markets in each of the six counties to assist FQAS members in their locality.

## **Scheme Funding**

NIBL FQAS is the most cost efficient scheme operated in the British Isles. The cost sharing arrangement between Producers and Processors renders the Northern Ireland scheme by far the lowest cost to farmers of all schemes participating in UK Red Tractor Assurance. From 1 April 2012, FQAS membership fees for annual renewal and initial registration increased to £55 + VAT in order to bring the Farm Quality Assurance Scheme income and expenditure into alignment and to re-balance the 50:50 ratio of funding proportion between producers and processors. This increase in membership fee did not result in a reduction in scheme membership.

In order to assist scheme members to pay their membership fees with ease, LMC began work in January 2013 to develop an online payments system through the LMC website where FQAS annual renewals and initial registrations can be paid with a valid credit/debit card. This system was launched in April 2013.

## **Market Information Department Report**

LMC's Market Information Services are designed to support, examine and inform the NI red meat industry. The service aspires to support producers and processors with their decision making by making available accurate and timely information that creates a better understanding of the trade. LMC is committed to creating an environment where our stakeholders are well-informed whether this is through the provision of basic statistics, further analysis / examination of this data or the delivery of information through events like the Red Meat Prospects Conference.

### **Highlights of LMC's Market Information activity for 2012-13 include the following:**

2012-13 was an eventful year in the NI red meat industry with many new challenges and requirements for the LMC Market Information Department. The department's services were tailored to address key issues as they arose throughout the year. The content of LMC's market information publications, the Red Meat Prospects Conference, export development activities and market research were adapted to reflect industry's changing priorities over the course of the year.

The department has continued to communicate detailed market information to producers and processors through its publications. The Bulletin remains LMC's primary market information tool and was published each Saturday in the Farming Life newspaper over the course of the year. LMC also published a mid-week market update in the Irish Farmers' Journal and the Farm Week newspapers which provided updates on factory livestock quotes and reported prices from the British Isles. The LMC Quarterly was published and distributed to approximately 10,000 stakeholders over the course of the year.

LMC continued to provide weekly trade updates through the text service during the year. There was a significant increase in subscribers to the text service from under 1,000 in April 2012 to over 4,000 subscribers in March 2013. LMC continued to engage and inform stakeholders through the media using press releases, weekly radio interviews, and the answer-phone service throughout the year.

### **Rising costs of suckler beef production**

Unfavourable weather, poor grass conditions and rising feed prices have combined to create significant pressure on profitability at farm level over the course of the year. Rising input costs have been a significant issue since 2008-09 and the continuing pressure on profitability created growing demand from industry for robust, industry level figures on the cost of beef production. During the year, through the Red Meat Strategic Forum, LMC worked in conjunction with DARD to establish the average cost of suckler beef production since 2006 on an annual price per kilo basis.

These figures and associated analysis were published in the LMC Quarterly in January 2013. The data has been particularly useful to establish developments in profitability on the average farm and to establish year-on-year developments in costs. Further work is planned in 2013-14 to establish the cost of lamb production in Northern Ireland on a per kilo basis. The basis of these figures is the DARD Farm Business Survey and LMC must acknowledge the significant contribution made by DARD in calculating these figures.

### **Red Meat Prospects Conference**

The Market Information department hosted the second NI Red Meat Prospects Conference in March 2013. The conference theme was *Progress Through Partnership*

and the itinerary reflected two of the key issues impacting the industry over the course of the year; fairness and security of the supply chain.

2012-13 was notable for intense debate around fairness in the red meat supply chain and the appointment by the Consumer and Competition Minister of a new Grocery Code Adjudicator in January 2013 was broadly welcomed by industry. As Grocery Code Adjudicator designate, Christine Tacon was the keynote speaker at the Red Meat Prospects Conference and the event provided her with an important platform to inform NI beef and lamb producers about her new role, priorities and powers.

The conference also addressed the issue of building secure supply chains, with the attendance of a representative of OSI Food Solutions, one of the single largest customers for Northern Ireland beef and supplier of beef to McDonalds. Peter Mitchell, Purchasing Manager at the company reflected on the horsemeat issue and provided delegates with a sound understanding about how OSI Food Solutions have managed to successfully build supply chain relationships that ensured that their customers were not exposed to the horsemeat crisis.

Approximately 150 delegates attended the event in Greenmount College and the conference received positive feedback from delegates and excellent coverage in the farming press.

### **Price Analysis and Reporting**

In 2012-13 LMC continued its weekly price reporting obligations on behalf of RPA and 52 weekly price reports were supplied to Brussels during the year. Weekly reports from seven individual deadweight slaughter centres form the basis of this aggregate NI report.

There were significant developments in deadweight cattle prices in 2012-13 and LMC used its price reporting capabilities to ensure that stakeholders were provided with detailed analysis of prices paid for a range of cattle specifications. Analysis of prices paid for in-spec cattle was provided on a regular basis to demonstrate the importance of producing cattle to the age and weight specifications required by factories. The horsemeat crisis led to increased processor demand for quality assured stock in the final quarter and LMC provided detailed FQAS price information and analysis of the price incentives for FQAS membership in the LMC Bulletin.

During the year significant debate arose about the range of deadweight prices paid across industry for similar stock. This debate prompted LMC to undertake detailed analysis of the spread of prices paid and confirmed the availability of significant price premiums in the market. The provision of this information represented a significant improvement in transparency in the market given that only average prices were previously made available. The availability of this information provided stakeholders with more clarity on the upside potential within the market which empowers those producers engaged in negotiation.

### **Export Development**

LMC continued to work closely with the UK Export Certification Partnership (UK ECP) in 2012-13 and this partnership continues to yield positive results for industry through widening access to export markets in third countries (outside the EU). In conjunction with the NI Meat Exporters Association, LMC has identified priorities for market access and engaged in ongoing liaison with UKECP with regard to progress on these matters.

In December 2012, the UK eventually gained access to the important Russian beef market, having been excluded from this market since 1996. The decision to provide access followed a protracted period of inspections and negotiation at UK / EU level and in the final quarter of 2011-12, LMC contributed towards a Russian veterinary inspection in Northern Ireland, which was an essential pre-cursor to this development.

Following this announcement, LMC took delivery of a special report on Russian Meat Market Opportunities. In March, LMC hosted a seminar on opportunities in the Russian Market which was attended by the report authors, factory sales staff and producer representatives. LMC also invited Invest NI and the DARD Veterinary / Trade staff to participate in this seminar and the event provided an excellent opportunity for these organisations to share information with each other and industry in developing these potential markets.

### **Climate Change and the Environment**

The Northern Ireland red meat industry remains committed to a voluntary approach to reducing its carbon footprint. The success of voluntary climate change mitigation initiatives by the sector is particularly important given that the alternative may be blunt mandatory targets which would potentially require significant reductions in industry output.

LMC has engaged with the Red Meat Strategic Forum to contribute to this voluntary approach by providing the secretariat to the Climate Change and Environment sub-group of the forum and facilitating the red meat sub-group of the GHG (Greenhouse Gas) Implementation Partnership. In conjunction with NIMEA, UFU, DARD, AFBI and

CAFRE, LMC has been proactive in communicating with producers on methods that they can employ to improve their efficiency and hence reduce their GHG emissions.

As well as communicating directly with producers through its publications, LMC also jointly organised a climate change seminar for the NI Guild of Agricultural Journalists in September 2012. This event, which was hosted by AFBI, Hillsborough, provided important information to agri-journalists to ensure that they were better informed about the technical and policy implications of the climate change debate.

### **GB / NI Beef Price Disparity Research**

There was significant debate during the autumn about the widening differential between Northern Ireland deadweight beef prices and corresponding prices in Great Britain. LMC initiated a project to investigate this issue in December 2012 using a third party economic research agency. The project was overseen by a steering group comprising experts from the UK industry and government. The project involves qualitative and quantitative research to establish the main reasons for this price differential and any action that may be taken at industry level to bring NI prices more into line with GB levels. LMC liaised with the researchers to provide information, data and organise consultations and the researchers received excellent engagement from industry generally. A draft report was completed in early April 2013 and a finalised report is expected in June 2013.

## **Funding and Audit**

### **Funding**

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

### Levies

Under current Livestock and Meat Commission Levy Regulations the maximum sums payable by way of levy and the actual levies charged are as follows.

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

LMC continues to examine in conjunction with DARD the potential for a mechanism to be put in place for the collection of levies on live exports, which is provided for under the Act by which LMC was established.

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

Under 2012/13 funding arrangements for NIFQAS, producers pay a £55 joining and a £55 annual membership fee. Processors who wish to participate in the scheme pay a throughput fee of £1.00 per bovine animal and £0.10 per sheep slaughtered, plus an annual membership fee of £400 for a slaughterer/processor and £250 for a secondary processor.

## **Auditors**

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

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

The audit of the financial statements for 2012/13 resulted in an audit fee of £10,000 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.

## Commission Membership

The table below sets out the attendance of Commission Members for the financial year 2012/13 at Board and Audit Committee meetings where applicable.

<b>NAME</b>	<b>Board Meetings</b>	<b>Audit Committee</b>
Patrick O'Rourke	11/11	-
Ian Mark	10/11	3/3
Mary McCormack	09/11	3/3
James Noble	10/11	3/3
Phelim O'Neill	11/11	3/3
Kenneth Sharkey	11/11	-
John McGaughey (Until September 2012)	04/05	-

The Minister for Agriculture and Rural Development appoints the chairman and members of the LMC Board for three-year terms. As of 31 March 2013 there are six members on the Commission ("the Board").

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

The role of the Board is to act effectively as Non-Executive Directors of LMC and to exercise the ultimate control on policy. Management of LMC is delegated by the Board to the Chief Executive and a management team. The Chief Executive, having responsibility also as Accounting Officer, is responsible to the Board for the proper

conduct of LMC affairs and the development and implementation of the policies determined by the Board. The Board meets routinely once per month, with additional meetings on an ad hoc basis when circumstances require.

**Patrick O'Rourke (Chairman)**

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

**Ian Mark**

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

Sheep Committee. He has significant experience of dealings with the multiple retailers and NI restaurant trade.

### **Mary McCormack**

Mrs Mary McCormack was appointed to the Board in January 2009. She is a university graduate with wide ranging experience of the agri-food industry including fulfilling a representational role and developing policy. She runs a mixed hill farm with dairy, suckler and beef enterprises. She is also Farm Liaison Officer with Camowen Partnership Carrickmore, a Member of Lakeland Dairies' Producer Committee, Vice-Chair of the NI Agricultural Consultants Association, a member of Agri-Search, a member of Omagh District Council Local Action Group for the Rural Development Programme and a member of the Omagh Forum for Rural Associations.

### **James Noble**

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

representative bodies and was a Board member of the Agri-Food and Biosciences Institute from April 2006 to March 2012.

### **Phelim O'Neill**

Mr Phelim O'Neill was appointed to the Board in January 2009. He comes from a farming background in Co Tyrone; graduated from Queen's University with an honours degree in Law and later obtained a Masters in Business Strategy from the University of Ulster. His entire career has been spent in various roles in the red meat industry and currently is the Chief Executive of the Northern Ireland Meat Exporters' Association and Chairman of Northern Ireland Food Chain Certification limited. He is a regular contributor to the print and broadcast media on the industry and holds a number of other industry related board positions.

### **Kenneth Sharkey**

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

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

In accordance with the Livestock Marketing Commission Act (Northern Ireland) 1967 the Livestock and Meat Commission for Northern Ireland (LMC) is required to prepare a statement of accounts in the form and on the basis determined by the Department of Agriculture and Rural Development (DARD) with the approval of the Department of Finance and Personnel (DFP). The accounts are prepared on an accruals basis and must give a true and fair view of LMC's state of affairs at the year end, of its income and expenditure, total recognised gains and losses and cash flows for the financial year.

In preparing the accounts LMC is required to:

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

The Accounting Officer for DARD has designated the LMC Chief Executive as the LMC Accounting Officer. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum, issued by DFP.

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

## **Governance Statement**

### **Scope of responsibility**

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

### **The purpose of the governance framework**

The governance framework comprises the systems and processes, culture and values by which LMC is directed and controlled. It enables LMC to monitor the achievement of its strategic objectives and to consider whether those objectives have led to the delivery of appropriate services and value for money for its stakeholders. LMC's governance framework adopts, to the extent appropriate for an organisation of LMC's size, scope and risk, the principles of the Corporate Governance in Central Government Departments: Code of Good Practice (NI) 2013.

### **The governance framework**

The Minister for Agriculture and Rural Development is accountable to the Northern Ireland Assembly for the activities and performance of LMC. The Management Statement and Financial Memorandum (MSFM), created by DARD in 2005, define the accountability arrangements of LMC to DARD (Food Policy Branch being LMC's sponsors within DARD). The MSFM is updated regularly to ensure accountability

arrangements keep pace with new guidance and best practice. The current MSFM was formally reviewed and finalised for signature by DARD and LMC in May 2012. LMC is reviewed periodically, in accordance with the business needs of DARD and LMC. A fundamental review of LMC took place in 2009 and this triggered a major reorganisation of LMC functions and structures the out workings of which are reported in subsequent LMC annual reports.

### **LMC Board**

The LMC Board normally meets once a month and comprises a chairman and five non-executive members. The appointments are made under section 1 of the Livestock Marketing Commission Act (Northern Ireland) 1967, and are made in accordance with the Commissioner of Public Appointments for Northern Ireland Code of Practice. The Board has corporate responsibility for ensuring that LMC fulfils the aims and objectives that are approved by DARD, and for prompting the efficient, economic and effective use of staff and other resources by LMC. To this end, and in pursuit of its wider corporate responsibilities, the Board:

- Establishes the overall strategic direction of LMC within the policy and resources framework determined by DARD and its Minister
- Ensures that DARD and its Minister are kept informed of any changes which are likely to impact on the strategic direction of LMC or on the attainability of its targets, and determines the steps needed to deal with such changes
- Ensures that any statutory or administrative requirements for the use of public funds are complied with, that the Board operates within the limits of its statutory authority and any delegated authority agreed with DARD and in accordance with

- any other conditions relating to the use of public funds, and that, in reaching decisions, the Board takes into account guidance issued by Government
- Ensures that it receives and reviews regular financial information on the management of LMC, is informed in a timely manner about the activities of LMC, and provides assurances to DARD that action has been taken to make appropriate adjustments where required
  - Demonstrates high standards of corporate governance at all times
  - Appoints, with DARD's approval, a Chief Executive to LMC and, in consultation with DARD, sets remuneration terms for the Chief Executive.

### **Evaluation of Board Performance**

DARD is responsible for the evaluation of LMC's overall performance. The Director of DARD's Food, Farm and Rural Policy Division assesses the LMC Chairman annually. The LMC Chairman assesses individual Board members annually. During the 2012/13 financial year the Board met 11 times. Attendance of Commission members at Board meetings during the year was good and there were no occasions when the minimum quorum of 4 members was not in attendance. Details of individual Commission members and their attendance at Board and Audit Committee meetings are reported separately in the Commission membership section of the annual report. In December 2012 the Board approved a new Terms of Reference for the Board which had been drawn up and agreed in consultation with DARD.

In January 2013 the Board completed a performance self-assessment checklist using the 6 core elements of corporate governance in the 'Good Governance Standard for Public Services'. The results of the self-assessment were discussed at the February 2013 Board

meeting and in all cases the core responsibilities on the checklist recorded an indicator of performance by individual Commission members where expectations were either partially met, met or exceeded. None of the core responsibilities on the checklist, under each of the 6 principles of good governance, recorded an indicator of performance by individual Commission members where expectations were not met. These principles are very closely aligned to those in the Corporate Governance Code of Good Practice (NI) 2013 and it is the LMC Board's assessment that LMC complies with the code to the extent that it relates to LMC as an Executive NDPB. With regard to the Board being provided with information that is fit for purpose all Commission members recorded an indicator of performance where expectations were either met or exceeded. The Internal Audit Branch Annual Report and Opinion 2012/13 on the LMC recorded that monthly Board meetings were well attended and Board members had been provided with effective updates on the LMC's activities.

### **Committees of the Board**

The Board has established and delegated powers to an Audit Committee and a Remuneration Committee. The Remuneration Committee is appointed and operated as a committee of the LMC Board. This committee meets periodically to discuss remuneration matters, as required by the LMC Board. It is chaired by the LMC Chairman and has two further appointed members from the LMC Board, currently Messrs. Kenneth Sharkey and Phelim O'Neill. 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.

## **Audit Committee Membership**

The members of the Audit Committee in 2012/13 were:

- Mr James Noble (Chairman): non-executive Board member appointed by the Board in May 2008 for the duration of his membership of the Board
- Mr Phelim O'Neill: non-executive Board member appointed by the Board in February 2009 for the duration of his membership of the Board
- Mrs Mary McCormack: non-executive Board member appointed by the Board in February 2009 for the duration of her membership of the Board
- Mr Ian Mark: non-executive Board member appointed by the Board in February 2012 for the duration of his membership of the Board.

## **Audit Committee Reporting**

The Audit Committee met three times during the 2012/13 financial year, and reported 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 Governance Statement, summarising its conclusions from the work it has done during the year.

## **Audit Committee Responsibilities**

The Audit Committee advises the Board and Accounting Officer on:

- The strategic processes for risk, control and governance and the Governance Statement
- The accounting policies, the accounts, and the annual report of LMC, including the process for preparation of the accounts for audit, levels of error identified, and management's letter of representation to the external auditors

- The planned activity and results of both internal and external audit
- Adequacy of management response to issues identified by audit activity, including External Audit's report to those charged with governance
- Assurances relating to the corporate governance requirements for LMC
- Anti-fraud policies, whistle-blowing processes, and arrangements for special investigations
- The Audit Committee also periodically reviews its own effectiveness and its chair reports the results of that review to the chair of the commission.

## **Planning, Budgeting and Control**

### **The LMC Strategic Plan**

The strategic plan provides an overview of the statutory purpose of LMC. It identifies the major factors influencing LMC's strategy and formalises the major inputs from its stakeholder consultation process. The strategic plan outlines LMC's strategic objectives over a rolling three year period and associated business objectives for the next year.

LMC submits a draft of its updated strategic plan to DARD annually, for approval. 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 2012-2015 Strategic Plan was approved by DARD in May 2012. The 2013-2016 Strategic Plan was presented to the DARD Management Board by LMC and the Sponsor Branch in March 2013 and this has also been approved by DARD and the Minister.

### **The LMC 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. The 2012-2013 Business Plan was approved by DARD in May 2012. The 2013-2014 Business Plan was presented to the DARD Management Board by LMC and the Sponsor Branch in March 2013 and this has also been approved by DARD and the Minister

### **Financial Budgets**

Financial budgets are produced annually for the forthcoming 12-month period and underpin the three-year strategic plan and annual business plans.

### **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. In line with DARD's Arms Length Bodies Sponsorship Manual which came into effect in the 2012/13 financial year

quarterly Accountability meetings take place between the Director of DARD's Food, Farm and Rural Policy Division and the LMC Accounting Officer. Following these meetings signed Assurance Statements are forwarded by the LMC Accounting Officer to the Sponsor Branch for review and consideration of any follow-up action. The Minister or his/her nominated representative meets the Board formally each year to discuss LMC's performance, its current and future activities, and any policy developments relevant to those activities. No Ministerial Directions were given to LMC during 2012/13.

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

### **Internal Audit**

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. The Internal Audit Branch Annual Report and Opinion 2012/13 on the LMC provided an overall satisfactory opinion. The opinion was derived from an annual review which included Corporate Governance, Financial Management, the Relationship with DARD Sponsor Branch, Business Continuity and Contingency and the implementation of previously agreed Internal Audit recommendations.

## **External Audit**

The Comptroller and Auditor General (C&AG) audits and certifies LMC's annual accounts, after which LMC gains ministerial approval to lay them before the Northern Ireland Assembly. For the purpose of audit, the C&AG has 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.

## **Accounting Officer**

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.

### **Scope of Responsibility**

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

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

### **The Purpose of the System of Internal Control**

The system of internal control is a significant part of the governance framework and is designed to manage risk to a reasonable level. It cannot eliminate all risk of failure to achieve policies, aims and objectives and can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of LMC's policies, aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

The governance framework has been in place at LMC for the year ended 31 March 2013 and up to the date of approval of the annual report and statement of accounts.

### **Capacity to Handle Risk**

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

### **The Risk and Control Framework**

#### **Risk Management**

LMC's risk management policy constitutes a key element of its internal control and corporate governance framework and covers its approach to risk management, roles and responsibilities, and key aspects of the risk management process. The LMC Risk Management Strategy was reviewed and approved by the LMC Board in September 2012.

#### **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**

The Corporate Risk Register is currently being reviewed. Risk issues and their management are routinely discussed at each Senior Management Team meeting. During 2012/13, the main and significant risk areas identified in the LMC Business Plan that would have to be managed by LMC during the year included:

- *Human Resource: delivery of all activities on time and on budget will be dependent on having the right quantity of skilled staff in the right place throughout the year.*

In managing this risk LMC successfully recruited four new staff during the 2012/13 financial year, two staff to fill vacancies which arose and two staff to fill new roles which had been identified as necessary to improve LMC's sustainability and reduce its exposure to risk.

- *Buy-In: the successful delivery of some business activities in the LMC business plan will require the co-operation of key stakeholders.*

In managing this risk LMC undertook to meet with all of its key stakeholders during the 2012/13 year. Individual meetings were held with each of the levy paying processors and farming stakeholder organisations. No activities in the LMC business plan were unable to be taken forward as a result of a lack of co-operation from key stakeholders. One new activity that was identified during the year as a priority by stakeholders was for LMC to provide financial support on behalf of the Northern Ireland red meat sector to Animal Health & Welfare Northern Ireland in support of delivery of their initiatives to eradicate BVD and to

develop a plan to control Johne's disease. As provision of such support is outside the specific functions of LMC under the 1967 Act a letter of direction was sought and provided by DARD permitting LMC to release funding support to this important initiative.

- *LMC holds important Information Assets in its FQAS and Price Reporting Databases and a business priority is to ensure security of such assets is maintained and strengthened in order to reduce risk of data loss.*

In managing this risk LMC commissioned a detailed systems analysis of the FQAS database and work has now commenced on drawing up a detailed technical specification for procuring a new database for FQAS in 2013/14 that will enhance system and data security and will also improve functionality. LMC had no information loss incidents in 2012/13.

### **Reputational Risk**

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

### **Information Risk**

LMC recognises risks associated with data security and all staff have been instructed appropriately in regard to information held by them and accessible to them. All members of the Senior Management Team are fully aware of their responsibilities regarding information security. They have provided assurances to the Accounting Officer in their Stewardship Reports for 2012/13 that a culture of awareness exists among the staff in their departments regarding information security and dealing with information loss incidents.

### **Business Continuity Plan**

LMC has a comprehensive Business Continuity and Contingency Plan (BCP), the purpose of which is to identify ways and means for LMC to continue to operate its core activities should a major disruption occur at its head office. Our current BCP was revised and approved by the Board in August 2012 and has been communicated to key staff. Internal Audit Branch reviewed the BCP during the 2012/13 internal audit and provided a substantial opinion with regard to the plan.

### **Anti-Fraud Policy**

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

### **Whistle-Blowing Policy**

The LMC Whistle-blowing Policy provides workers who report wrongdoing ('whistle blowing') with statutory protection against dismissal or detriment where they make certain disclosures of information in the public interest if that disclosure is made in accordance with procedures specified in the policy. LMC has defined its policy and procedure through this policy, which was revised in November 2012.

### **Review of effectiveness**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within LMC who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports.

The Internal Audit Branch of DARD gave an overall "Satisfactory" assurance, in its 2012/13 annual report and opinion of the Livestock and Meat Commission for Northern Ireland, that LMC's internal control framework and risk management and governance processes are effective and that they enable achievement of the Commission's objectives.

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

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

*Ian Stevenson.*

I Stevenson  
Accounting Officer  
17 June 2013

## **Remuneration Report**

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

DFP operates a control on the review of employees' remuneration, and reviews are subject to a pay remit approval process. A remuneration committee of the board approves all remuneration reviews. LMC makes new appointments based on market rates as appropriate to the role.

### **Service Contracts**

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

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

## Salary and pension entitlements (audited)

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

Name	2012/13		2011/12	
	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
Mr P O'Rourke <i>Chairman</i>	15-20	-	20-25	-
Mr J Noble <i>Board Member</i>	10-15	-	5-10	-
Mr P O'Neill <i>Board Member</i>	5-10	-	5-10	-
Mrs M McCormack <i>Board Member</i>	5-10	-	5-10	-
Mr K Sharkey <i>Board Member</i>	5-10	-	5-10	-
Mr I Mark <i>Board Member</i>	5-10	-	0-5 (Full year equivalent 5-10)	-
Mr J McGaughey <i>Board Member</i> <i>(until 30 September 2012)</i>	0-5	-	5-10	-
Mr C Tweedie <i>Board member</i> <i>(until 31 December 2011)</i>	-	-	0-5	-
Mr I Stevenson <i>Chief Executive</i>	45-50	-	25-30 (Full year equivalent 45-50)	-
Miss S Blain <i>Accounting Officer</i> <i>(from 5 May-2 October 2011)</i>	-	-	15-20	-
Mr D Rutledge <i>Chief Executive</i> <i>(until 4 May 2011)</i>	-	-	60-65	-

Mrs N Waite <i>Marketing Director</i> <i>(until 10 May 2011)</i>	-	-	20-25	-
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### **Salary**

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

The remuneration of the highest paid employee in the financial year 2012-2013 was £50,000 (2011-2012, £42,500). This was 3.04 times (2011-12, 3.27 times) the median remuneration of the workforce, which was £16,419 (2011-2012, £13,000).

### **Benefits in kind**

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

## NILGOSC Pensions (audited)

Name	Accrued pension at age 65 as at 31/3/13 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/3/13	CETV at 31/3/12	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Mr I Stevenson <i>Chief Executive</i>	0-5 plus lump sum of 0-5	0-2.5 plus lump sum of 0-2.5	33	20	12	-

Pension benefits are detailed in Note 14 to the accounts.

No pension benefits accrue to Board Members.

### Cash Equivalent Transfer Values

A Cash Equivalent Transfer Value (CETV) is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. A CETV is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme or arrangement when the member leaves a scheme and chooses to transfer the benefits accrued in their former scheme. The pension figures shown relate to the benefits that the individual has accrued as a consequence of their total membership of the pension scheme, not just their service in a senior capacity to which disclosure applies. The CETV figures and the other pension details, include the value of any pension benefit in another scheme or arrangement which the individual has transferred to the NILGOSC pension arrangements and for which the NILGOSC has received a transfer payment commensurate with the additional pension

liabilities being assumed. They also include any additional pension benefit accrued to the member as a result of their purchasing additional years of pension service in the scheme at their own cost. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

**Real increase in CETV**

This reflects the increase in CETV effectively funded by the employer. It takes account of the increase in accrued pension due to inflation, contributions paid by the employee (including the value of any benefits transferred from another pension scheme or arrangement) and uses common market valuation factors for the start and end of the period.



Ian Stevenson  
Accounting Officer  
17 June 2013

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

I certify that I have audited the financial statements of the Livestock and Meat Commission for the year ended 31 March 2013 under the Livestock and Marketing Commission Act (Northern Ireland) 1967. These comprise the Income and Expenditure Account, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Reserves and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

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

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

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

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the Livestock and Meat Commission's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Livestock and Meat Commission; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware

of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

### **Opinion on Regularity**

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

### **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view, of the state of Livestock and Meat Commission's affairs as at 31 March 2013 and of its surplus for the year, cash flows and statement of reserves for the year then ended; and
- the financial statements have been properly prepared in accordance with the Livestock and Marketing Commission Act (Northern Ireland) 1967 and Department of Agriculture and Rural Development's directions issued thereunder.

### **Opinion on other matters**

In my opinion:

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

### **Matters on which I report by exception**

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

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

### **Report**

I have no observations to make on these financial statements.



*KJ Donnelly*

*Comptroller and Auditor General*

*Northern Ireland Audit Office*

*106 University Street*

*Belfast*

*BT7 IEU*

*21 June 2013*

## Income and expenditure account for the year ended 31 March 2013

	Notes	2013 £	2012 £
<b>Income - continuing operations</b>			
Income from activities	2	<b>2,166,004</b>	1,903,352
<b>Expenditure</b>			
Staff and related costs	3	<b>488,337</b>	415,671
Depreciation (net of deferred grant release)		<b>35,384</b>	45,577
Other operating charges	4	<b>1,602,333</b>	1,221,029
		<b>2,126,054</b>	1,682,277
<b>Operating surplus</b>	2	<b>39,950</b>	221,075
Finance income	5	<b>44,379</b>	39,793
<b>Surplus before income tax</b>		<b>84,329</b>	260,868
Income tax charge	6	<b>8,876</b>	7,958
<b>Surplus for the year</b>		<b>75,453</b>	252,910

## Statement of financial position as at 31 March 2013

	Notes	2013 £	2012 £
<b>Assets</b>			
<b>Non-current assets</b>			
Property, plant and equipment	8	<b>882,622</b>	1,400,080
		<b>882,622</b>	1,400,080
<b>Current assets</b>			
Trade and other receivables	9	<b>405,983</b>	314,998
Cash and cash equivalents	10	<b>1,442,733</b>	1,382,249
Short term bank deposits		<b>1,643,122</b>	1,610,031
		<b>3,491,838</b>	3,307,278
<b>Total assets</b>		<b>4,374,460</b>	4,707,358
<b>Current liabilities</b>			
Trade and other payables	11	<b>314,011</b>	237,036
Income tax liabilities		<b>8,876</b>	7,958
		<b>322,887</b>	244,994
<b>Non-current assets plus net current assets</b>		<b>4,051,573</b>	4,462,364
<b>Non-current liabilities</b>			
Pension liabilities	14	<b>1,439,000</b>	1,328,000
		<b>1,439,000</b>	1,328,000
<b>Assets less liabilities</b>		<b>2,612,573</b>	3,134,364
<b>Reserves</b>			
Income and expenditure account		<b>1,432,072</b>	1,468,071
Revaluation reserve		<b>199,799</b>	693,884
Designated reserves		<b>980,702</b>	972,409
		<b>2,612,573</b>	3,134,364

The notes on pages 77 to 96 are an integral part of these financial statements.

The financial statements on pages 73 to 96 were authorised for issue by the Board on 28 May 2013 and were signed on its behalf by:



Ian Stevenson  
Accounting Officer  
17 June 2013

## Statement of cash flows for the year ended 31 March 2013

	Notes	2013 £	2012 £
<b>Cash flows from operating activities</b>			
Operating surplus after interest		<b>84,329</b>	260,868
Adjustments for:			
Depreciation of property, plant and equipment		<b>40,689</b>	50,882
Movement in trade and other receivables		<b>(90,985)</b>	118,665
Actuarial (loss) recognised		<b>(101,000)</b>	(780,000)
Movement in trade and other payables		<b>187,975</b>	529,776
Notional charges		<b>3,811</b>	2,599
Profit on disposal of property, plant and equipment		-	-
Income tax paid		<b>(7,958)</b>	(6,522)
Net cash used in operating activities		<b>116,861</b>	176,268
<b>Cash flows from investing activities</b>			
Purchases of property, plant and equipment		<b>(23,286)</b>	-
Proceeds from sale of property, plant and equipment		-	-
Movement in short-term deposits		<b>(33,091)</b>	(18,341)
Net cash used in investing activities		<b>(56,377)</b>	(18,341)
Movement in cash and cash equivalents		<b>60,484</b>	157,927
Cash and cash equivalents at the beginning of the year	10	<b>1,382,249</b>	1,224,322
<b>Cash and cash equivalents at the end of the year</b>	10	<b>1,442,733</b>	1,382,249

## Statement of reserves for the year ended 31 March 2013

	Designated reserves			Income and expenditure account £
	Farm quality assurance scheme £	Classification service £	Total designated reserves £	
At 1 April 2011	314,505	765,584	1,080,089	1,882,232
Surplus for the year				252,910
Actuarial gain on retirement benefit obligations				(780,000)
Other notional charges				2,599
Transfer from unrealised revaluation reserve to income and expenditure account				2,650
Transferred to other designated reserves	(104,743)	(2,937)	(107,680)	107,680
<b>At 31 March 2012</b>	<b>209,762</b>	<b>762,647</b>	<b>972,409</b>	<b>1,468,071</b>
Surplus for the year				75,453
Actuarial loss on retirement benefit obligations				(101,000)
Other notional charges				3,811
Transfer to unrealised revaluation reserve from income and expenditure account				(5,970)
Transferred to other designated reserves	(618)	8,911	8,293	(8,293)
<b>At 31 March 2013</b>	<b>209,144</b>	<b>771,558</b>	<b>980,702</b>	<b>1,432,072</b>
				<b>Unrealised revaluation reserves £</b>
At 1 April 2011				638,707
Surplus on revaluation of property, plant and equipment				57,827
Transfer from unrealised revaluation reserve to income and expenditure account reserve				(2,650)
<b>At 31 March 2012</b>				<b>693,884</b>
Deficit on revaluation of property, plant and equipment				(500,055)
Transfer to unrealised revaluation reserve from income and expenditure account reserve				5,970
<b>At 31 March 2013</b>				<b>199,799</b>

## **Notes to the financial statements for the year ended 31 March 2013**

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

#### **General information**

The entity's principal activities during the year are detailed on pages 15 to 22. The entity is domiciled in Northern Ireland. The financial statements are presented in Sterling. All of the entity's assets and liabilities are denominated in Sterling.

#### **Statement of accounting policies**

These financial statements have been prepared in accordance with the 2012-13 Government Financial Reporting Manual (FReM) issued by DFP Northern Ireland. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the entity for the purpose of giving a true and fair view has been selected. The particular policies adopted by the entity for the reportable activity are described below. They have been applied consistently in dealing with items that are considered material to the accounts. These accounts have been prepared on the going concern basis, under the historical cost convention modified to account for the revaluation of property, plant and equipment. This treatment is felt to be appropriate by the Board due to the DARD Minister's decision to retain LMC as an NDPB.

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

The IASB and IFRIC have issued the following accounting standards and interpretations with an effective date after the date of these financial statements (i.e. applicable to

## Notes to the financial statements for the year ended 31 March 2013

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

accounting periods beginning on or after the effective date). The Board does not anticipate that the adoption of these standards and interpretations will have a material impact on the entity's financial statements in the period of initial application:

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

Amendments to the following current accounting standards will be applicable for periods commencing on or after 1 January 2013 arising from the IASB's May 2012 Annual Improvements process: IFRS 1, IAS1, IAS16, IAS32, IAS34. The Board is currently considering the implications of these amendments for future accounting periods.

## **Notes to the financial statements for the year ended 31 March 2013**

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

#### **Income**

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

#### **Segment reporting**

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

#### **Property, plant and equipment**

In line with the LMC policy to have quinquennial valuations of land and buildings, the freehold property was valued externally on 31 March 2010 at existing use value by Land and Property Services. In intervening years these valuations are subject to annual indexation using relative price indices. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment, with the exception of freehold property, is stated at cost less depreciation and accumulated impairment losses due to the short life and low value of the individual assets. The initial cost of an asset comprises cost plus any costs directly attributable to bringing the asset into operation and an estimate of any decommissioning costs.

## Notes to the financial statements for the year ended 31 March 2013

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

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred. The charge for depreciation is calculated so as to write off the depreciable amount of assets over their estimated useful economic lives on a straight line basis. The lives of each major class of depreciable asset are as follows:

Land	-	NIL
Buildings	-	2.70%
Office furniture, fixtures and fittings, computers	-	20.00%

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

#### **Impairment of non-financial assets**

The entity assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the entity makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the

## **Notes to the financial statements for the year ended 31 March 2013**

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

estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses of continuing operations are recognised in the income statement in those expense categories consistent with the function of the impaired asset.

#### **Loans and receivables (financial instruments)**

##### ***(a) Trade and other receivables***

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade and other receivable are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'operating costs'. When a trade and other receivable are uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against 'other operating costs' in the income and expenditure account.

## **Notes to the financial statements for the year ended 31 March 2013**

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

#### ***(b) Cash and cash equivalents***

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less. Deposits with banks that have original maturities of greater than three months are classified as short-term bank deposits.

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

##### ***Trade and other payables***

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

#### **Income tax**

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

## **Notes to the financial statements for the year ended 31 March 2013**

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

#### **Pension liabilities**

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

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

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

## **Notes to the financial statements for the year ended 31 March 2013**

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

#### **Designated reserves**

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

#### **Financial risk factors**

##### ***(a) Market risk***

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

##### ***(b) Credit risk***

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

##### ***(c) Liquidity risk***

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

## Notes to the financial statements for the year ended 31 March 2013

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

#### Capital risk management

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

#### Fair value estimation

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

#### Critical accounting estimates and judgements

There are no critical accounting estimates and judgements.

### 2 Income and expenditure by activity

	Income from activities	Expenditure	Operating surplus 2013	Total 2012
	£	£	£	£
Levy and other income	1,108,565	1,069,473	39,092	337,141
Rural payments agency	63,671	60,350	3,321	2,820
Classification service	-	-	-	(11,756)
NIFQAS income	993,768	996,231	(2,463)	(107,130)
<b>Total</b>	<b>2,166,004</b>	<b>2,126,054</b>	<b>39,950</b>	<b>221,075</b>

## Notes to the financial statements for the year ended 31 March 2013

### 3 Employee benefit expense

	Permanently employed staff	Others	Commission members	2013	2012
	£	£	£	£	£
Wages and salaries	349,349	638	56,612	<b>406,599</b>	416,415
Social security costs	23,293	5	1,852	<b>25,150</b>	33,430
Pension costs – defined benefit plans	56,588	-	-	<b>56,588</b>	(34,174)
Reorganisation and redundancy costs	-	-	-	-	-
	<b>429,230</b>	<b>643</b>	<b>58,464</b>	<b>488,337</b>	415,671

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

	Permanently employed staff	Others	Commission members	Number	Number
Commission members	-	-	<b>6.5</b>	<b>6.5</b>	7
Classification/Agency	-	-	-	-	-
Administration (including levy collection)	16.5	-	-	<b>16.5</b>	15
	<b>16.5</b>	-	<b>6.5</b>	<b>23</b>	22

### 4 Other operating charges

	2013 £	2012 £
Information services	<b>13,268</b>	6,391
Market development and advertising	<b>1,398,232</b>	955,803
Administration costs:		
Actuarial costs/(credits) of pension scheme	<b>2,000</b>	118,000
Office expenses	<b>173,734</b>	126,153
Aggregate travelling and subsistence	<b>15,099</b>	14,682
	<b>1,602,333</b>	1,221,029
<b>Office expenses include:</b>	<b>2013</b>	2012
	£	£
Notional charges	<b>3,811</b>	2,599
Auditors' remuneration - for audit	<b>10,000</b>	11,865
- for other services	-	-

## Notes to the financial statements for the year ended 31 March 2013

### 5 Finance income and costs

	2013	2012
	£	£
<b>Interest income:</b>		
Short-term bank deposits	44,379	39,793
<b>Finance costs - net</b>	<b>44,379</b>	<b>39,793</b>

#### Short-term bank deposits

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

### 6 Income tax charge

	2013	2012
	£	£
<b>Current income tax:</b>		
Current UK corporation tax at 20% (2012: 20%)	8,876	7,958
<b>Income tax charge</b>	<b>8,876</b>	<b>7,958</b>

The income tax charge in the income and expenditure account for the year differs from the small companies rate of corporation tax in the UK of 20% (2012: 20%). The differences are reconciled below:

	2013	2012
	£	£
<b>Surplus before income tax</b>	<b>84,329</b>	260,868
Tax calculated at the UK small companies rate of corporation tax of 20% (2012: 20%)	<b>16,866</b>	52,173
Effect of:		
Surplus not taxable	<b>7,990</b>	44,215
<b>Income tax charge</b>	<b>8,876</b>	7,958

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

## Notes to the financial statements for the year ended 31 March 2013

### 7 Segment information

Management has determined the operating segments based on the reports reviewed by the Board that are used to make strategic decisions.

The Board considers the operations from both a geographic and operational perspective. The entity has one geographical segment, Northern Ireland. The entity has four reportable operational segments, levy funded activities, NIFQAS, agency services and classification.

The segment information provided to the Board for the reportable segments for the year ended 31 March 2013 is as follows:

	Levy Funded Activities £	NIFQAS £	Rural Payments Agency £	Classification £	Other £	Total £
Income from external parties	1,057,595	996,076	63,671	11,139	81,902	2,210,383
Expenditure	(973,759)	(996,232)	(60,350)	-	(81,902)	(2,112,243)
Operating surplus/(deficit) before tax	83,836	(156)	3,321	11,139	-	98,140
Income tax expense	(6,186)	(462)	-	(2,228)	-	(8,876)
<b>Surplus/(deficit) before notional costs and after tax</b>	<b>77,650</b>	<b>(618)</b>	<b>3,321</b>	<b>8,911</b>	<b>-</b>	<b>89,264</b>
Adjustments in respect of notional costs:						(3,811)
Internal audit						(10,000)
Actuarial costs of pension scheme						(10,000)
<b>Total surplus reported for year</b>						<b>75,453</b>
Total assets less liabilities	173,006	209,144	1,458,865	771,558	-	2,612,573
Depreciation	11,429	8,715	9,545	-	11,000	40,689
Interest Received	30,932	2,308	-	11,139	-	44,379

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

## Notes to the financial statements for the year ended 31 March 2013

### 8 Property, plant and equipment

	Freehold Land £	Property Buildings £	Exhibition equipment, office furniture, fixtures and fittings £	Computers £	Total £
<b>Cost or valuation</b>					
At 1 April 2011	650,000	705,000	256,007	230,559	1,841,566
Additions	-	-	-	-	-
Disposals	-	-	-	-	-
Indexation	(66,000)	105,750	-	-	39,750
<b>At 31 March 2012</b>	<b>584,000</b>	<b>810,750</b>	<b>256,007</b>	<b>230,559</b>	<b>1,881,316</b>
<b>Depreciation</b>					
At 1 April 2011	-	18,077	242,048	188,306	448,431
Provided during the year	-	21,335	8,140	21,407	50,882
Eliminated in respect of disposals	-	-	-	-	-
Indexation	-	(18,077)	-	-	(18,077)
<b>At 31 March 2012</b>	<b>-</b>	<b>21,335</b>	<b>250,188</b>	<b>209,713</b>	<b>481,236</b>
<b>Net book amount</b>					
<b>At 31 March 2012</b>	<b>584,000</b>	<b>789,415</b>	<b>5,819</b>	<b>20,846</b>	<b>1,400,080</b>
At 31 March 2011	650,000	686,923	13,959	42,253	1,393,135
<b>Cost or valuation</b>					
At 1 April 2012	584,000	810,750	256,007	230,559	1,881,316
Additions	-	-	-	23,286	23,286
Disposals	-	-	-	-	-
Indexation	(181,115)	(340,275)	-	-	(521,390)
<b>At 31 March 2013</b>	<b>402,885</b>	<b>470,475</b>	<b>256,007</b>	<b>253,845</b>	<b>1,383,212</b>
<b>Depreciation</b>					
At 1 April 2012	-	21,335	250,188	209,713	481,236
Provided during the year	-	12,715	4,923	23,051	40,689
Eliminated in respect of disposals	-	-	-	-	-
Indexation	-	(21,335)	-	-	(21,335)
<b>At 31 March 2013</b>	<b>-</b>	<b>12,715</b>	<b>255,111</b>	<b>232,764</b>	<b>500,590</b>
<b>Net book amount</b>					
<b>At 31 March 2013</b>	<b>402,885</b>	<b>457,760</b>	<b>896</b>	<b>21,081</b>	<b>882,622</b>
At 31 March 2012	584,000	789,415	5,819	20,846	1,400,080

## Notes to the financial statements for the year ended 31 March 2013

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

Depreciation expense of £40,689 (2012: £50,882) has been fully charged to expenditure.

The entity's freehold property was last revalued externally on 31 March 2010 by Land and Property Services. The valuation was made on the basis of existing use value and in intervening years this is subject to annual indexation using relative price indices. Up to March 2012 indices provided by the Royal Institution of Chartered Surveyors had been used by LMC for the annual indexation of building and operational land while Land and Property Services had provided indices for non-operational land. For the year ended March 2013 Land and Property Services was able to provide indices for all land and buildings and the Commission considered these the most appropriate to apply to the freehold property indexed valuation. The application of these indices should minimise the risk of unnecessary divergence of the indexed valuation at the next full revaluation in March 2015.

### 9 Trade and other receivables

	2013	2012
	£	£
Levies (statutory)	<b>184,641</b>	113,419
Rural payments agency receivable	<b>30,457</b>	25,073
Classification receivables	-	-
Farm quality assurance scheme receivables	<b>94,530</b>	106,054
Trade debtors	<b>4</b>	-
Prepayments and accrued income	<b>96,351</b>	70,452
	<b>405,983</b>	314,998

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

### 10 Cash and cash equivalents

	2013	2012
	£	£
Cash at bank and on hand	<b>1,442,733</b>	1,382,249

## Notes to the financial statements for the year ended 31 March 2013

### 11 Trade and other payables

	2013	2012
	£	£
Accruals	261,430	80,515
Trade creditors	41,120	106,540
Deferred income	-	5,305
Other taxation and social security	11,461	44,676
	<b>314,011</b>	<b>237,036</b>

### 12 Related party transactions

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

The entity is a one-eighth owner of Northern Ireland Food Chain Certification (NIFCC) and is represented on the board of directors. During the year the entity provided accounting, administration and human resources services to NIFCC valued at £81,902 (2012: £79,550). NIFCC provided the entity with inspection services and marketing information during the year valued at £727,374 (2012: £718,096). The amount due to NIFCC at 31 March 2013 was £nil (2012: £73,050). NIFCC is operated as a not-for-profit organisation and therefore no NIFCC reserves are recorded in LMC's financial statements.

In addition the entity provided office space and administration services to Northern Ireland Meat Exporters Association valued at £ 6,073 (2012: £6,360). The amount due from NIMEA at 31 March 2013 was £5,923 (2012: nil).

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

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

## Notes to the financial statements for the year ended 31 March 2013

### 12 Related party transactions (continued)

	Debtors: amounts falling due within one year  £	Debtors: amounts falling due after more than one year  £	Creditors: amounts falling due within one year  £	Creditors: amounts falling due after more than one year  £
Balance with other central government bodies	30,457	-	28,263	-
Balances with local authorities	-	-	-	-
Balances with NHS trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Balances with bodies external to government	375,526	-	294,624	1,439,000
<b>At 31 March 2013</b>	<b>405,983</b>	<b>-</b>	<b>322,887</b>	<b>1,439,000</b>

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

### 13 Financial instruments

The entity's financial instruments are classified as follows:

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

## Notes to the financial statements for the year ended 31 March 2013

### 14 Pension liabilities

Pension benefits are provided through the Northern Ireland Local Government Officers' Superannuation Committee Scheme (the NILGOSC Scheme). This scheme is a 'multi-employer' pension scheme with some ninety thousand members. It provides a final salary (i.e. defined benefits) pension scheme for eligible employees and other members of the scheme. This is a tax approved scheme which provides benefits on reckonable service and the pensionable pay in the year to retirement or either of the two previous years if higher, at a normal retirement age of 65. As from 1 April 2009 benefits accrue at a rate of  $1/60^{\text{th}}$  of pensionable pay for each year of reckonable service. Employees pay contributions of between 5.5% and 7.5% of pensionable earnings depending on the pay band the pensionable pay falls into. All pensions are reviewed annually in April under the Pension Increase Legislation and increased in line with inflation. On death of a member, surviving spouses, civil partners or, subject to certain qualifying conditions, nominated co-habiting partners pension and pensions for eligible children are payable. In addition, on death in service, there is a lump sum payment due to the employee's estate of three years' pensionable pay. To finance these benefits, assets are accumulated in the scheme and are held separately from the assets of the employers.

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

An actuarial valuation of the scheme using the projected unit basis was carried out at 31 March 2013 by Aon Hewitt Ltd. The principal assumptions used were as follows:

## Notes to the financial statements for the year ended 31 March 2013

### 14 Pension liabilities (continued)

	2013	2012	2011
	%	%	%
Future salary increases	<b>5.2</b>	4.8	5.1
Discount rate	<b>4.5</b>	4.8	5.5
Inflation rate	<b>2.8</b>	2.5	2.8
Future pension increases	<b>2.8</b>	2.5	2.8

The mortality assumptions used were as follows:

	2013	2012	2011
	years	years	years
Longevity at age 65 for current pensioners			
- Men	<b>23.2</b>	22.9	22.9
- Women	<b>26.1</b>	25.7	25.7
Longevity at age 65 for future pensioners			
- Men	<b>25.2</b>	24.9	24.9
- Women	<b>28.1</b>	27.7	27.7

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

	Long term rate of return expected 2013	Value at 2013	Long term rate of return expected 2012	Value at 2012	Long term rate of return expected 2011	Value at 2011
	%	£	%	£	%	£
Equity	<b>7.8</b>	<b>5,978,000</b>	6.2	5,150,000	7.5	5,387,000
Bonds	<b>2.8</b>	<b>901,000</b>	4.1	974,000	4.9	979,000
Property	<b>7.3</b>	<b>609,000</b>	4.4	557,000	5.5	420,000
Cash	<b>0.9</b>	<b>372,000</b>	3.5	278,000	4.6	210,000
Other	<b>7.8</b>	<b>47,000</b>				
Total market value of assets		<b>7,907,000</b>		6,959,000		6,996,000
Present value of scheme obligations		<b>(9,346,000)</b>		(8,287,000)		(7,540,000)
<b>Deficit in scheme</b>		<b>(1,439,000)</b>		(1,328,000)		(544,000)

## Notes to the financial statements for the year ended 31 March 2013

### 14 Pension liabilities (continued)

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

	2013	2012
	£	£
At 1 April	<b>6,959,000</b>	6,996,000
Expected return on scheme assets	<b>390,000</b>	480,000
Contributions by members	<b>18,000</b>	21,000
Contributions by employer	<b>48,000</b>	180,000
Actuarial (losses)/gains	<b>797,000</b>	(428,000)
Benefits paid	<b>(305,000)</b>	(290,000)
<b>At 31 March</b>	<b>7,907,000</b>	6,959,000

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

	2013	2012
	£	£
At 1 April	<b>8,287,000</b>	7,540,000
Current service cost	<b>56,000</b>	66,000
Interest cost	<b>392,000</b>	414,000
Contributions by members	<b>18,000</b>	21,000
Actuarial losses/(gains)	<b>898,000</b>	352,000
Past Service Costs	-	-
Losses on Curtailments	-	184,000
Benefits paid	<b>(305,000)</b>	(290,000)
<b>At 31 March</b>	<b>9,346,000</b>	8,287,000

Analysis of amount recognised in the income and expenditure account

	2013	2012
	£	£
Current service cost	<b>56,000</b>	66,000
Interest cost	<b>392,000</b>	414,000
Expected return on pension scheme assets	<b>(390,000)</b>	(480,000)
Past Service Costs	-	-
Losses on Curtailments	-	184,000
<b>Total operating charge</b>	<b>58,000</b>	184,000

## Notes to the financial statements for the year ended 31 March 2013

### 14 Pension liabilities (continued)

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

	2013	2012
	£	£
Actual return less expected return on pensions scheme assets	<b>797,000</b>	(428,000)
Changes in assumptions underlying the present value of the scheme liabilities	<b>(898,000)</b>	(352,000)
Actuarial (loss) recognised in the statement of recognised income and expenses	<b>(101,000)</b>	(780,000)
Cumulative actuarial losses recognised in the statement of recognised income and expenses	<b>(1,641,000)</b>	(1,540,000)

History of experience gains and losses

	2013	2012	2011	2010	2009
	£	£	£	£	£
Defined benefit obligation	<b>(9,346,000)</b>	(8,287,000)	(7,540,000)	(9,492,000)	(5,523,000)
Plan assets	<b>7,907,000</b>	6,959,000	6,996,000	5,980,000	4,199,000
Deficit	<b>(1,439,000)</b>	(1,328,000)	(544,000)	(3,512,000)	(1,324,000)
Experience adjustments on plan assets	<b>797,000</b>	(428,000)	397,000	1,480,000	(1,683,000)
Experience adjustments on plan liabilities	<b>13,000</b>	(109,000)	822,000	-	-
Total amount recognised in the statement of recognised income and expenses	<b>(101,000)</b>	(780,000)	1,843,000	(2,043,000)	(1,100,000)

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

	£	% of pay
Projected Current Service Cost	66,000	24.4
Net Interest on the Net Defined Benefit Liability (Asset)	61,000	22.6
Past Service Cost	-	-
Losses/(Gains) on Curtailments and Settlements	-	-
<b>Total</b>	<b>127,000</b>	<b>47.0</b>









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