

Livestock and Meat Commission for Northern Ireland

**Annual Report and Accounts
for the year ended 31 March 2014**

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

4 July 2014

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Chairman's Statement/Foreword

I am pleased to present the forty seventh Annual Report of the Livestock and Meat Commission for Northern Ireland (LMC). This report covers the period 1 April 2013 to 31 March 2014.

I am delighted to report that 2013/14 was a year of significant progress in LMC and many outstanding issues have been resolved to the benefit of LMC and our stakeholders. During the year we sought clarification on the ownership of our fine offices in Lissue House and DARD has confirmed that the Board of LMC has full title to the property which we hold on your behalf. In a major development we have also secured an agreement with DARD in relation to our balance sheet reserves which we can now access in the event that we have a project or an unforeseen event which requires additional funding over and above our current income level. This places LMC in a much stronger financial position.

I am also very much aware that it has been a very challenging year for producers and processors alike. The fallout from the bad weather last spring and the instability in the market place has had a major negative impact on the red meat sector in Northern Ireland. The strategy adopted by LMC in supporting the sector through the publication of the Price Differential report between Northern Ireland and Great Britain should yield positive results. We are fully supportive of the recommendations and are confident that, if implemented, they will result in positive outcomes and ensure the Northern Ireland Red Meat sector is in a stronger position to gain greater access to the premium UK markets. This strategy has been well received by all the relevant stakeholders. In relation to the present debate on the specification requirements, and its impact on the sector, LMC will work with the sector stakeholders to facilitate debate and clarification on the best way forward and I would like to issue a special invitation to all interested parties to get involved in constructing a plan that is in the best interest of the entire red

meat sector in Northern Ireland.

The LMC Board is very much committed to continuing the very successful promotion of Northern Ireland Farm Quality Assured beef and lamb. Independent research has confirmed that the advertising campaign has been very effective to date. It is also encouraging to witness a large increase in membership of the FQAS scheme.

Mr James Noble retired from the Board at the end of January 2014 having served for the last six years. I wish to extend my personal thanks to Jim for all his hard work and outstanding contributions both as a member of the Board and as Chairman of the Audit Committee.

I would like to welcome Mr Patrick McElroy to the Board of LMC and he has assumed the role as Chair of the Audit Committee. Paddy has a wealth of financial experience and with his knowledge of the red meat sector will be of great benefit to LMC and I look forward to his contribution.

We are also in discussions with DARD in relation to succession of Board members going forward.

I am grateful for the continued dedication of the CEO and Staff of LMC as without their strong commitment, dedication and energy, it would not have been possible to have achieved the progress made to date.

I would also like to thank the Minister for her support during the year.

DARD has been very supportive during the last year and many long running issues have been resolved so I also want to thank the staff of DARD for their guidance and help.

I am confident that LMC are well positioned to continue supporting the industry and delivering well into the future. I thank you, the stakeholders, for your support and I look forward to working with you in my final year as Chairman.

A handwritten signature in black ink that reads "Pat O'Rourke". The signature is written in a cursive, flowing style.

Patrick O'Rourke
Chairman

4 June 2014

Strategic Report

Introduction

The Commission presents its Annual Report and Accounts for the 2013/14 business year.

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

Our Purpose

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

Our Vision

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

Our Mission

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

Our Values

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

Strategic Objectives

LMC has six Strategic Objectives:

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

6. To have in place an effective, efficient and sustainable organisation

Supporting these Strategic Objectives are Business Objectives for the financial year 2013/14. These identify what LMC is seeking to achieve with its services and link directly to the Strategic Objectives (there were 44 Business Objectives in the 2013-14 Business Plan). In order to monitor progress against these objectives during 2013-14, detailed business activities with individual targets were identified under each of the business objectives.

Chief Executive's Review

I am delighted to report that during 2013/14 LMC successfully delivered a comprehensive programme of assurance, education, industry development, market information and promotional activity across our various service delivery sections. This activity is in direct support of the organisation's strategic objectives which align closely to our statutory functions under the 1967 LMC Act. The activity is specifically tailored to the needs of our funding stakeholders and helps to contribute to delivery of DARD's goals in its 2012-2020 Strategic Plan. Details of LMC's performance against the specific targets, as outlined in our Business Plan at the start of 2013/14, are reported later in this annual report. Also reported in this annual report are highlights of work undertaken within the main business areas throughout the year and the audited financial statements for the organisation.

The financial year 2013/14 has been a difficult one for the Northern Ireland red meat industry. The year started off in April 2013 with ongoing fall-out across the European Union from the horse meat in processed beef incident, driving changes to the market environment into which the Northern Ireland industry trades. Prices for UK origin farm assured cattle rose sharply as British retail and food service customers sought to simplify their supply chains and guarantee the origin and traceability of their beef supply. At the end of June 2013 average steer and heifer deadweight prices in Northern Ireland had

reached record levels in excess of 380p/kg (second only to Great Britain in the EU league of cattle prices). These higher prices were welcome news to local producers but they presented real challenges for the processing sector to extract higher returns from the broad basket of domestic, external and export markets into which they trade, to cover these higher raw material costs. As a result of this, procurement of livestock by factories became more focused on specification and an early example of this was stiffer penalties on non-FQAS cattle introduced by some plants in the spring of 2013. A visible consequence has been a marked increase in the number of farmers joining FQAS over the course of the financial year with membership at the end of March 2014 some 14.7% higher than year earlier levels. There have been further changes throughout the year to factory bonuses and penalties to incentivise production of cattle to meet market specification and this has caused some friction and disquiet in parts of the supply chain, particularly with regard to young bulls, cattle of non-UK origin and cattle having resided on more than 4 farms/trading premises.

During April 2013 LMC met with DARD Minister Michelle O'Neill to brief her on progress within LMC since the conclusion of the LMC strategic review in January 2011, to discuss any outstanding implementation issues, to outline LMC's plans for the year ahead and to discuss some of the main opportunities and challenges facing the red meat industry. LMC has a good working relationship with its sponsor department, DARD and during the course of 2013/14 significant changes to the sponsor team in DARD occurred. Despite these changes LMC continues to work closely with DARD and in November 2013 jointly organised a successful stakeholder event at Greenmount Campus to formally launch the Food Fortress initiative and to discuss market opportunities post the horsemeat in processed beef incident.

During May 2013 LMC exhibited at the new Balmoral Show site at Maze Long Kesh and we were delighted to welcome large numbers of LMC stakeholders and visitors to the LMC stand. Despite it being the middle of May many farmers were still suffering from the legacy of a long wet winter and a cold snowy spring with a fodder transport scheme

being launched during the Balmoral Show to help ease the hardship of those struggling to find adequate fodder supplies locally. The Balmoral Show also signalled the launch of the Agri-Food Strategy Board's Going for Growth report and LMC continues to play an active role in the red meat sub group which is overseeing implementation of the recommendations for growing the beef and sheep meat sectors in Northern Ireland. A lot of LMC's current and planned activity dovetails very closely with the AFSB recommendations.

In the summer of 2013 LMC met with all of its sister organisations in the UK, Quality Meat Scotland (QMS), Meat Promotion Wales (HCC) and Eblex, the Beef & Lamb Sector Division of the Agriculture & Horticulture Development Board (AHDB). LMC has a close working relationship with these red meat levy bodies and we regularly collaborate in areas such as third country market access & export certification development, leveraging funds for research and development, coordinating the supply of accurate and balanced information to consumers and the media about red meat, and, generic campaigns such as the Agneau Presto initiative for driving lamb consumption in France. Further to some high level discussions a UK Levy Bodies Forum was established in January 2014 and along with the other partner organisations LMC signed a Memorandum of Understanding to formally recognise collaborative arrangements between the partners. LMC also liaises closely with Food NI in the development of work programmes in support of the red meat sector and has a good working relationship with Invest NI and the Irish Food Board (Bord Bia).

In October 2013 the Northern Ireland red meat industry was putting its best foot forward at the Anuga global food fair in Cologne Germany. At the fair LMC and local meat industry representatives participated in a red meat industry roundtable with UK Secretary of State for Environment Food and Rural Affairs Owen Paterson. The Secretary of State was advised that the local red meat industry in Northern Ireland was eager to gain access to the Chinese market as soon as possible and that he should prioritise engagement at a high level in China to help move this matter forward. He was also

advised of the differences in approach to managing the export certification processes for consignments of meat and meat products from the UK to third countries relative to a more simplified approach taken by other EU member states such as RoI and the Netherlands. The Secretary of State was urged by LMC and industry to ensure that UK businesses were not being placed at a competitive disadvantage by having unnecessarily complicated export certification processes.

December 2013 was the month when the much anticipated report into the GB/NI cattle deadweight price differential was launched by LMC. The report was commissioned by LMC in late 2012 and Oxford Economics, with the support of an independent project steering group facilitated by LMC, examined the nature and causes of the differential in deadweight cattle prices between Northern Ireland and Great Britain. The research involved extensive consultation with industry coupled with detailed analysis of trade data. The report has clearly identified the key factors affecting the price differential, has evaluated their relative importance and has ranked each of the 11 contributing factors as having a major, medium or minor influence on the differential. The publication of this very insightful report was welcomed by stakeholders and will help to bring a clearer understanding to this often contentious issue and, coupled with the identification of key areas for action in the report, this should help inform decision making and put industry in a better position to change the situation going forward.

In January 2014 LMC together with other stakeholders on the Greenhouse Gas Implementation Partnership (GHGIP) met with Environment Minister Mark H Durkan to discuss the pro-active work the industry and government was voluntarily doing to deliver on the Efficient Farming Cuts Greenhouse Gases strategy and action plan. This was followed up by the launch of the Phase 1 progress report by GHGIP at Greenmount in March 2014. The red meat industry takes its sustainability credentials very seriously and throughout the year LMC had a significant involvement in advancing the sustainability agenda with stakeholders in Northern Ireland and farther afield.

January 2014 also saw the launch by LMC of a high profile consumer advertising campaign focussed on Northern Ireland Farm Quality Assured Beef and Lamb. The campaign featured on local television, radio, outdoor adverts and in the press and was supplemented by LMC's programme of cookery demonstrations in schools and sampling of product in retail stores. The timing of the campaign was ideal in that it was coming off the back of a Christmas period where sales of beef were subdued and prices were coming under considerable pressure at the farm gate. LMC will be continuing with the campaign throughout 2014/15.

The first quarter of 2014, ending 31 March, has given much cause for concern to the future potential for growth of the beef industry in Northern Ireland. Beef calf registrations for the first three months of 2014 observed an 8.2% decline on the corresponding period in 2013 which in turn had been 9.4% behind 2012 levels. These marked reductions in calf birth registrations, coupled with recent declining numbers in the suckler herd, will inevitably feed through to lower availabilities of cattle for slaughter in Northern Ireland in the coming years. A concerted effort is needed now by both industry and government to help put some much needed confidence back into the sector, particularly at farm level. Certainty over CAP reform implementation and support for implementation of key efficiency improvement measures under the Going for Growth strategy would be two key visible indicators to the sector regarding its future strategic direction.

LMC undertakes considerable engagement throughout the year with its funding and non-funding stakeholders and we would like to thank all of our stakeholders for their inputs to, and feedback on, the important work which LMC undertakes on their behalf throughout the year.

Human Resources

LMC has a small but highly competent and motivated staff team whose dedication and commitment to LMC contributes greatly to the reputation, profile and ongoing success of the organisation. Without their day to day passion, expertise and contribution LMC could not provide the high level of professional service which is expected and required by the beef and sheep meat industry and by DARD. As Chief Executive I am particularly grateful to, and would like to thank, all members of staff for their support and for their tremendous efforts in managing, maintaining, growing and administering the many and varied activities of LMC throughout the year. I would also like to thank the LMC Chairman and Board for their ongoing guidance and support to myself and the staff team at LMC.

Organisational Breakdown		
Level	Total Number	Male: Female Ratio
Directors/Board Members	6	5:1
Senior Managers (SCS level equivalent)	0	0:0
Employees (permanent)	17	6:11
Employees (temporary)	2	2:0

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 Equality Scheme was approved by the Equality Commission in February 2013. All staff received training on the Equality Scheme in June 2013 as well as attending a half day training session on Disability Equality carried out by Adapt NI.

Environmental Sustainability

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

Funding

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

Levies

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

	Maximum Statutory 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 2013/14 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.

Financial Review

The accounts for the year are set out on pages 71 to 96. Income from LMC activities for the year of account increased by approximately £61k to £2.23m, mainly as a result of increased income from new farmers joining and paying their membership of the NI Beef & Lamb Farm Quality Assurance Scheme (FQAS). LMC's income profile for 2013/14 comprised approximately 48.5% from levy & other income; 48.5% FQAS and 3% from Rural Payments Agency (RPA) work. No changes to current funding sources are anticipated for 2014/15 and the rates of levy and FQAS membership fees will be retained at their existing levels. Whilst FQAS and RPA income is non-statutory LMC is required to operate within the same financial framework for this income as that derived through statutory levies. A detailed analysis of each of the operational segments of LMC is shown on page 87 at Note 7.

At the beginning of the financial year we had designed in our annual business plan an ambitious programme of expenditure on strategic activity to match with projected income and at 31 March 2014 we recorded a slight deficit (including notional adjustments and taxes) of £13,138 which is less than 0.6% variance from total income. LMC receives no direct grant in aid from central Government and we have to project our income prior to the beginning of each financial year based on estimated cattle and sheep slaughterings in Northern Ireland, estimated membership of FQAS and estimated income from other activities during the course of the year. This is very difficult to project

accurately and it is not uncommon for LMC to end the year with slight surpluses or deficits. Given the significant fluctuations which can occur in any given year we are pleased that our ongoing monitoring of business income and expenditure throughout the year has led to this satisfactory end of year position.

The market value of pension scheme assets at year end of £8.136 million have shown an increase in value of £229k compared to last year. The present value of the pension scheme obligation at £8.731 million has declined from £9.346 million at the previous year end resulting in a net pension deficit at year end of £595k.

LMC is pleased to report that our financial position remains strong at 31 March 2014 and that we are well placed to continue to deliver a full, ambitious and efficient programme of activity for the benefit of all our levy funders and stakeholders.

LMC Performance 2013/14

The table below sets out LMC performance against targets in support of LMC Strategic Objectives for the year 2013/14.

Targets in support of LMC Strategic Objectives	Assessment of Achievement
Strategic Objective 1: The industry is equipped with the tools to encourage its commercial development	
To attend all Sustainable Beef Working Group (SBWG) and other relevant Sustainable Agriculture Initiative (SAI) Platform meetings during the year and to keep industry informed of developments	Fully Achieved
To attend Defra / Devolved Administration Greenhouse Gas Platform R&D project meetings as required during the year, reporting as appropriate to the Red Meat Strategic Forum	Fully achieved

To produce a sustainability booklet / video / website to communicate the sustainability of NI beef & lamb	Partially achieved. LMC participates in the Greenhouse Gas Implementation Partnership and launch of the Phase 1 progress report satisfied the objective
To work with the NI Industry & DARD 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 twice by Q4 to review Standards and to publish a new FQAS Standard if agreed changes are required	Fully achieved
To provide two FQAS newsletters to all FQAS members to update on scheme developments	Fully achieved
To complete 1 print run of existing FQAS record books to ensure FQAS members have ready access to required record keeping documents	Not achieved. Sufficient books in stock negated the need for replenishment
To provide copies of revised Codes of Good Agricultural Practice (GAP Codes) to all FQAS members	Not achieved. Revision of GAP codes by DARD not completed in 2013/14 financial year
To attend NIFCC Certification Committee meetings throughout the year, as part of agreed contract monitoring arrangements	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 Q4 to review certification performance and scheme commercial management issues	Fully achieved
To attend any meetings as required with Assured Food Standards (AFS) throughout the year	Fully achieved
To ensure FQAS remains a recognised equivalent scheme to the AFS Red Tractor Scheme	Fully achieved
To attend/co-ordinate Lifetime Assurance meetings as required during the year and to provide information to scheme members on 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
The successful commissioning of, and engagement with, three DARD Directed AFBI Research Projects co-funded by LMC: 1. 'Free-range' grass fed milk and meat – nutritional attributes 2. Bull beef from grass-potential of efficient production of healthy Northern Ireland beef of consistently good eating quality 3. Benchmarking the local supply chain for pork and red meats	Project 1: Fully achieved Project 2 & 3: Not achieved. These did not receive funding through the Evidence & Innovation programme so the projects were not commissioned by DARD
To attend meetings and consider research proposals from, the UK Levy Body Research and Development Joint Committee	Fully achieved
To maintain the website payment page for FQAS members to ensure that online payments can be received from scheme members and that the Merchant Account and Payment Gateway is working correctly	Fully achieved
Strategic Objective 2: A better informed industry and general public	
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	Fully achieved
To carry out 300 school cookery demonstrations by Quarter 4 in post primary schools to educate future shoppers / consumers on the benefits of FQAS beef & lamb in the diet	Fully achieved
By Quarter 4 to co-ordinate a Home Economics Teachers Conference receiving satisfactory feedback from attendees	Fully achieved
By Quarter 4 to have developed a relationship with the major food service providers in Northern Ireland	Partially achieved. Expenditure not required and relationship building an ongoing process

By Quarter 4 to produce and supply resources on FQAS beef and lamb to butchers registered on the FQAS database & to multiple retailers	Fully achieved
By Quarter 4 to conduct 2 periods of beef and lamb sampling sessions with NI multiple retailers and to carry out other ad hoc sampling sessions as demand arises	Fully achieved
By Quarter 3 to have new resources in place for use in schools/retail outlets	Fully achieved
To renew contract for transport of FQAS trailer/sampling units	Fully achieved
To develop a monitoring project to understand the origins of beef and lamb that is stocked across a variety of stores in Northern Ireland	Fully achieved
To develop and run an advertising campaign to promote FQAS beef and lamb in Northern Ireland	Fully achieved
To produce 50 Bulletins per annum for publication in the local farming press and for electronic distribution	Fully achieved
To produce 50 Weekly Market Information Updates per annum for publication in the local farming press	Fully achieved
To produce and send 50 weekly Market Information Text Messages to over 4,000 registered subscribers	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 a Northern Ireland Red Meat Prospects Conference receiving satisfactory feedback from attendees by Quarter 4	Not achieved. Conference deferred until Autumn 2014
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 stakeholders	Fully achieved

To engage in a multi-client study led by Gira on Fifth Quarter opportunities and to disseminate findings.	Not achieved. Gira did not commission the planned study in 2013/14
To deliver an International Export Liaison service to work in conjunction with beef and lamb processors and promotional agencies	Partially achieved. Recruitment of a dedicated resource proved unsuccessful. Some work in this area undertaken by existing LMC resources.
To develop a system of liveweight market data collection, storage and reporting with stakeholders in the NI trade including auctioneers and producers	Partially achieved. Project scoped and progress dependent on data protection agreements being agreed between DARD, AFBI and 3 rd parties.
In consultation with stakeholders develop a knowledge base of information on the availability of sheep, the performance of the NI sheep flock and price information	Fully achieved
To agree consensus with stakeholders for development of all-island of Ireland PGI applications for beef and/or lamb and if required to commission appropriate research & analysis	Partially achieved. Stakeholder discussions undertaken and joint LMC / Bord Bia analysis to be carried out in 2014/15
Investigate potential use of social media by LMC	Fully achieved. Investigation determined social media use by LMC was not required
By Quarter 4 update and launch a new Food4life website	Partially achieved. Updates carried out and a full review of website planned for 2014-15
To co-ordinate an LMC stand at the new Balmoral Show site at the Maze in May 2013 and at Sheep NI in Ballymena Livestock Mart in July 2013	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 (target met by inclusion of recipes and profiles in key publications rather than advertorials)
To issue at least one press release to the agricultural press each month supplementing with photography as required	Fully achieved (target met by issuing of press releases, inclusion of PR articles in the weekly LMC Bulletin, and LMC interviews for agricultural publications)
To issue text messages as required to FQAS members with relevant information about FQAS developments or news about the scheme	Fully achieved

Strategic Objective 3: Advising and influencing the policy making process	
To renew membership of the International Meat Secretariat (IMS) allowing interaction with global red meat industry professionals	Fully achieved
To renew subscription to AHDB Brussels office and publish relevant EU updates on LMC website	Fully achieved
Strategic Objective 4: Facilitating industry relationships with impartiality and integrity	
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 undertake research into cattle market structure, requirements and dynamics	Partially achieved. Project scoped but AFBI not able to undertake project in the 2013-14 financial year
By Quarter 4 to liaise with CEA exam body; ATHE teacher body; QMS education department; AHDB education department 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). Investigate potential to rejoin Meat & Education	Fully achieved
To attend and report back to stakeholders on a minimum of two relevant international conferences by Quarter 4.	Fully achieved
To co-ordinate a minimum of 2 Red Meat Strategic Forum meetings by Quarter 4	Partially achieved. Strategic work undertaken by the Agri-Food Strategy Board Red Meat sub group & GHGIP Red Meat sub group negating need for Forum meetings
Strategic Objective 5: To be a relevant customer focused organisation that stakeholders understand, and meets their agreed requirements	
By Quarter 1 contribute to participation in Agneau Presto lamb promotion campaign in France with UK & Ireland red meat levy bodies	Fully achieved

To undertake strategic research into the future development potential for Greenfields ensuring buy-in from key stakeholders	Fully achieved
Strategic Objective 6: To have in place an effective, efficient and sustainable organisation	
Work with DARD to develop and agree any necessary revisions to the LMC MS&FM	Fully achieved
Provide quarterly Assurance Statements on Internal Control to DARD	Fully achieved
Ensure all outstanding audit recommendations are implemented by 31 July 2013	Fully achieved
Production and publication of LMC annual report before Assembly summer recess	Fully achieved
Review and update LMC Policies and Procedures by 31 July 2013	Fully achieved
Production of Business Monitor on a quarterly basis	Fully achieved
Review LMC Risk Register	Fully achieved
Annual appraisals completed for all staff by 31 March 2014	Not achieved. Target deferred until 30 June 2014 (to better fit with organisational workload planning and staff time)
Training plans to be agreed for all staff by 30 June 2013	Fully achieved
Implementation of all aspects of LMC Equality Scheme and targets set out in Audit of Inequalities and monitoring of progress	Fully achieved
In consultation with stakeholders identify & agree preferred method of live export levy collection and initiate implementation measures	Partially achieved (EU approval for the collection and expenditure of export levy, which is supported by stakeholders will be sought through a new state aid application for LMC to be made in 2014/15)

In those areas where targets are identified as not achieved or partially achieved, LMC strategically reallocated funds to a number of areas where expenditure needs arose during the course of the 2013/14 financial year. The main areas of budget reallocation included:

- Extension of the GB/NI Price Differential Project which commenced in 2012/13
- Development of a cattle and sheep forecasting tool
- Production of an information booklet on EBV's targeted at young farmers
- Subscription to an EU meat and retail study
- Subscription to Gira Meat Club (Asia)
- Extension of FQAS advertising campaign
- Development of a consumer website for beef and lamb (as an enhancement to the FQAS beef and lamb advertising programme)
- Purchase of resources for Balmoral Show
- Purchase of resources for FQAS members

Review of Activity in 2013/14

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. The Department is headed by Colin Smith, LMC's Industry Development Manager.

1. Industry Development

Highlights of LMC's Industry Development activity for 2013-14 include the following:

Food and Feed Safety

LMC facilitated a meeting of the Industry Feed Assurance Group in November 2013 prior to the launch and proposed implementation of the Food Fortress Scheme which was

one of the key recommendations from the IFAG Report 'Assuring Food Safety in Northern Ireland', launched in January 2011. Food Fortress is an industry wide initiative that will enhance assurance in the supply chain and allow the agri-food industry to promote our local, traceable, quality assured produce to both new and existing customers with greater confidence.

LMC, in conjunction with DARD and NIGTA, organised the launch of Food Fortress to stakeholders and media, highlighting how cutting edge technology and innovative risk assessment practices, designed at the Institute for Global Food Security at Queens University Belfast will be used to strategically sample and test animal feed and therefore minimize the risk of contamination in the supply chain. This initiative has been successfully piloted and will be implemented by industry in 2014 and will strengthen the robust food production systems and processes that we have in place in Northern Ireland at present.

During the course of the year LMC engaged with the Food Standards Agency Northern Ireland through its membership of the Food and Feed Industry Advisory Panel (FFIAP). This was especially important following the horsemeat incident in 2013 and the subsequent review of this incident. LMC also worked with the FSA (NI) to keep abreast of beef labelling proposals regarding voluntary claims and earned recognition of FQAS participation with regard to Food and Feed Hygiene Regulation inspections.

Red Meat Strategic Forum

Although no formal meetings of the Forum were required this year, strategic work on a number of important initiatives continued. Following the re-baselining of the Red Meat Task Force Cost of Production Index in 2013, an updated cost of production figure was calculated and published in 2014. LMC continued its work in communicating the benefits of implementing 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. In March 2014 the Greenhouse Gas Implementation Partnership (of which LMC is an active member) launched its Phase 1 report on how awareness of the issues have been raised and what progress has been made on carbon reduction and furthering industry sustainability. LMC continues to participate in the Greenmount Abbey Farm Knowledge and Technology Transfer (KTT) Working Group and also advises CAFRE on a range of KTT projects with one specifically working with younger farmers. This year LMC has also been considering with key stakeholders the potential to apply for an all-island of Ireland PGI status for beef and/or lamb.

Sustainability and Climate Change

LMC is a member of the Sustainable Agriculture Initiative (SAI) Platform and is actively participating in the Platform's Sustainable Beef Working Group (SBWG) which met on three occasions in June 2013, November 2013 and February 2014. In November 2013 the Platform publicly launched a set of global Principles for Sustainable Beef Production. The development of the principles was a chance for the Beef Working Group to implement the new concept of Knowledge Exchange Partners, which facilitated the involvement of the retail sector in the principles development. As well as the continued work in developing guidelines for the quantification of Greenhouse Gas emissions from beef farming operations, the Beef Working Group was actively involved in the Global Roundtable for Sustainable Beef, assisting in the alignment (where feasible) and development of their Principles and Criteria documentation which has been released for public consultation in 2014.

LMC also participated during the year in the Defra / Devolved Administrations Greenhouse Gas Research Platform. The main objective of the research is the development of an improved Agricultural Greenhouse Gas Inventory, that uses appropriate country and practice-specific emission factors and that will reflect the adoption of mitigation practices by the agricultural industry, enabling forecasting and monitoring of performance against the wider UK target emissions reductions set by the

UK Climate Change Act 2008. LMC attended a meeting of the Methane Emissions from Livestock Project Advisory Group at Edinburgh University in December 2013 to discuss progress on the 8 separate work packages which are being taken forward under this important research project.

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 has now been 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 2013/14 reporting year LMC continued as a project partner and the outcome on each of the projects will be communicated to industry going forward. LMC participated in two meetings of the R&D Joint (Levy Body) Committee this year. This provides an opportunity to contribute to larger projects on a pro rata basis. LMC is also represented on the AgriSearch Beef and Sheep Advisory Committees and made a financial contribution to sheep research this year. The provision of strategic funding for targeted sheep research has allowed a number of important research projects to be undertaken. An exciting new project, commissioned by LMC in partnership with AgriSearch in March 2014 is piloting new methods of gathering slaughter data for individual sheep (that can be communicated back to producers for informing key management decisions). Red Meat research remained firmly on the agenda this year and LMC contributed to two important AFBI projects; one looking at the potential benefits of grass fed outdoor production systems for the nutritional quality of red meat and a second looking at the eating quality of dairy beef and beef crosses versus

traditional beef breeds. The latter has now been completed and LMC is awaiting the final results.

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. There have been no confirmed cases of brucellosis since February 2012 which is very encouraging for the industry. Northern Ireland's BVD eradication initiative part funded by LMC and taken forward by Animal Health and Welfare (NI) is progressing well. The programme has now been running since 01 January 2013 and to date, approximately 190,000 tissue sample tags have been ordered for use in 3,000 herds. So far 0.71% of tissue samples from calves have tested positive. DARD is now working towards the introduction of a compulsory programme which was widely supported by industry during consultation on the matter.

2. Education Services and Consumer Promotion

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

Highlights of LMC's Education and Consumer Promotion activity for 2013-14 include the following:

Cookery Demonstrations

LMC's educational programme continued this year with 298 beef and lamb cookery demonstrations being conducted in Home Economics classes in secondary schools throughout Northern Ireland. LMC's panel of freelance demonstrators (currently 8 on the team) have the opportunity to teach young consumers the role of red meat in a balanced diet. The demonstrations are tailored to complement the Home Economics syllabus and pupils are supported in their coursework and homework with information provided on LMC's educational website www.food4life.org.uk. The importance of looking for Northern Ireland Farm Quality Assured beef and lamb is outlined, and the role of the NIFQA Scheme is explained in a meaningful way. Pupils are further enabled to make an informed choice about red meat by discussing suitable cuts, simple, fast, tasty recipes and cooking methods.

HE Teachers Conference

LMC held a conference for teachers of Home Economics in the final quarter of the reported period. Speakers from CCEA, Food Standards Agency, British Nutrition Foundation, The Public Health Agency and LMC presented on subjects relevant to the NI Home Economics curriculum. The conference provided an excellent opportunity to highlight the various career opportunities available to pupils in the NI agri food industry.

Resources

During the year LMC's traceability leaflet, outlining the importance of the Northern Ireland Farm Quality Assurance Scheme, was distributed at all school demonstrations and consumer sampling sessions. USB sticks and pens promoting the educational food4life website were given out at school demonstrations. LMC provided beef and lamb resources (cuts posters, recipes, traceability leaflets) to farms participating in Open

Farm Weekend. New beef and lamb recipes were produced for use in schools, retail and on the food4life website.

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 31,000 shoppers across 41 stores. LMC's panel of demonstrators showed how to prepare and cook simple beef 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.

Communication of LMC's Education and Promotion Activities

LMC contracted expert PR support to help promote its education work during this period. This included beef and lamb recipe features, staff profiles, the HE Teachers conference, a schools 'Cook Off' competition and promotion of LMC's beef retail sampling sessions.

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 a member of the joint levy body initiative Meatmatters, which promotes the benefits of red meat in the diet to consumers across the UK. It also ensures negative press coverage regarding health scares is responded to by appropriate experts in the red

meat industry (the Meat Advisory Panel) in a timely manner. This work has allowed positive messages about red meat to reach over 42 million consumers across the UK.

Meat and Education

LMC teamed up with AHDB to become part of Meat and Education once more. This gave teachers in Northern Ireland access to more resources and information regarding beef and lamb. They could also make use of the Meat and Health and the Meat Advisory Panel websites too, so that they were able to read measured scientific information surrounding red meat.

Stakeholder Engagement

LMC's presence at Balmoral Show (for the first time at Balmoral Park at the Maze Lisburn) during the reported year gave ample opportunity to explain the role the Commission plays according to stakeholder needs. NIFQA beef and lamb rolls were available for stakeholders to sample on the LMC stand. Resources were distributed to all consumers visiting the stand. LMC demonstrators conducted beef and lamb sampling sessions in the main food marquee as well. Towards the end of the year LMC participated in an NI Education Working Group to ascertain what further information surrounding beef and lamb would be useful to the current/future HE curriculum. LMC supported Tesco's 'Switch to Local' beef campaign by cooking and sampling in store and helping to mentor catering students to carry out further beef awareness sessions. LMC conducted beef and lamb cookery demonstrations at the first Northern Ireland Food and Drink Show, a three day consumer event in October 2013 which drew massive crowds.

LMC Media Campaign-FQAS

A media campaign comprising television and radio advertisements, outdoor advertising and press advertising (for beef) centred on the message 'The Natural Choice for Beef'. A television advertisement (for lamb) carried a similar message 'The Naturally Fresh Choice for Lamb' also ran in the fourth quarter of the reported year. The whole campaign was supplemented by school cookery demonstrations in schools, sampling in multiple retail outlets and a planned communications programme in the agricultural and consumer press. The campaign was a great opportunity to continue to build on awareness and meaning of the Northern Ireland Farm Quality Assured logo and further improve consumer confidence in quality assured beef and lamb following last year's negative press surrounding the horsemeat in processed beef scandal.

3. Northern Ireland Beef & Lamb Farm Quality Assurance Scheme

Participation

In the 2013/14 financial year farmer numbers participating in the Northern Ireland Beef & Lamb Farm Quality Assurance Scheme (FQAS) continued to increase, with an increase in scheme membership of 14.7% in comparison to the 2012/13 financial year. 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 2012/13 there has been a 416.5% increase in applications to join FQAS. The largest quarterly increase in comparison to the previous year was Q3, Oct-Dec 2013 when applications to join increased by 803.3%. At the end of the 2013/14 financial year producer participation in FQAS stood at 11,072, an increase in membership of 1,418 or 14.7% relative to the end of the last financial year. Overall the percentage of price reported domestic prime beef cattle that were farm assured at time of slaughter was 99.3% at the end of the 2013/14 financial year. Steers continued to represent the

highest category for assurance proportion at 99.4% with cull cows reaching a level of 96% assurance during the year.

Certification

In the 2013/14 financial year 5,201 surveillance inspections were conducted by the Certification Body Northern Ireland Food Chain Certification (NIFCC), which represents an average surveillance inspection interval of 21.3 months against a maximum target of 18 months. There were 294 spot-check inspections, representing 3.2% of scheme members against a minimum target of 5%. It is important to note that the NIFCC Certification Contract year runs from November to October and as such the reported inspection intervals for the financial year are not directly comparable to the yearly contractual obligations. Ongoing monitoring of performance against contract is undertaken by LMC and reported to the FQAS Industry Board and LMC Board. In January 2014 the FQAS Industry Board was provided with a report on performance against the third year of the Certification Contract (November 2012-October 2013) which showed that NIFCC hadn't met the required targets largely due to the unprecedented increase in applications. In total NIFCC delivered 508 surveillance inspections and 122 initial inspections below target, while also conducting 186 spot check inspections above target.

From 01 November 2013, when the 3 year initial contract period had ended, the decision was made by LMC, with the agreement of the contracted Certification Body, to change from a set annual payment for services provided to a pay-as-you-go format for the first year of two possible yearly extensions to the initial certification contract i.e. payment per inspection completed.

Product Standard

The new NIBL FQAS Product Standard and Rules book was designed during Q3 and Q4. Changes to this document mainly consisted of amends to Section 3-Animal Nutrition, wording changes in order to clarify some aspects of the Standard, combination of both documents into a single book, and the movement of most signatures to the end of the document. The new FQAS Standard and Rules will be distributed to all participants in June 2014. A Spring/Summer FQAS Newsletter will also be produced and distributed to all members of FQAS featuring some key articles to ensure members of FQAS are kept informed of scheme developments, including one on the new Standard and Rules.

Scheme Management

In October 2013 LMC sponsored the Farming Life and Danske Bank Awards for a second year with the award category 'FQAS Farmer of the Year'. LMC also sponsored Allams Show boards at the Christmas Show & Sale at King's Hall, Belfast.

In October 2013 LMC conducted research on FQAS to gather opinions from butcher members on the importance of FQAS, the benefits of the promotional material which FQAS supplies to butchers and whether or not they would be interested in attending a meeting with other butchers to discuss the scheme. The research findings were very positive with some useful feedback that LMC can use to continually develop the scheme.

Over the course of 2013/14 there was a continued focus on licensing butchers to use the FQAS logo. By Q4 of 2013/14, there were 151 local butchers licenced to use the FQAS logo on farm quality assured beef and lamb. An increase from the 110 butchers licenced in the previous year.

Development of a new FQAS membership database commenced in Q3. This project is on-going and will ultimately provide a more efficient and secure database.

Farm Liaison

The FQAS Farm Liaison Service continued to provide valuable assistance before and after inspections to FQAS participants during the 2013/14 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 342 calls per month from and to members of the FQAS. The Farm Liaison Officer extends the Liaison Service to Livestock Markets in each of the six counties to assist FQAS members in their locality.

Scheme Funding

NIBL FQAS is one of the most cost efficient assurance schemes operated in the UK. The unique 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. FQAS producer membership fees for annual renewal and initial registration are £55 + VAT. The producer and processor membership fees (determined by the FQAS Industry Board) ensure that Farm Quality Assurance Scheme income and expenditure is in alignment and also aims to balance the 50:50 ratio of funding proportion between producers and processors.

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 pay membership fees with a valid credit/debit card. This system was launched in April 2013 and there is currently a 5.3% uptake of this facility.

Market Information Department Report

During the year, LMC continued to deliver market information services to support decision making in the red meat industry. LMC continued in its commitment to provide timely and accurate information that informs stakeholders about market developments using a mixture of basic statistics, research and analysis which is delivered through LMC publications and events. The Market Information Department is headed by Conall Donnelly, LMC's Economist.

Highlights of LMC's Market Information activity for 2013-14 include the following:

Market overview

2013-14 was a challenging year for the Northern Ireland beef and lamb industry. The year began with farmers facing serious cost pressures following a year of very poor weather. For hill farmers in Antrim and Down this was exacerbated by severe snowfall that resulted in a significant increase in mortality in April 2013. The bad weather gave way to excellent summer weather, but the consequences of the difficult production conditions continued throughout the year with cash flow and fertility / performance issues reported by many producers.

For beef producers, these production concerns were offset to some extent by unprecedented farmgate cattle prices. The horsemeat incidents of January and February 2013 led to increased demand for UK origin, in-spec cattle and this generated significant upward pressure on deadweight prices in the first half of the year. In the second half of the year, beef prices started to come under pressure. A weaker market for manufacturing beef and relatively weak European trade led to downward pressure on the price of cows and plain cattle during the third quarter. Despite this, the market for younger stock remained strong for most of the year, helping to improve returns for primary producers, while finishers' margins were squeezed in both directions as the beef market generally weakened in the final quarter of the year.

The sheep market was stronger and more stable in 2013-14 compared to the previous year. The improved production conditions enhanced lamb performance at grass with lambs and resulted in lambs coming fit for slaughter earlier than the previous year. This improved performance combined with a smaller lamb crop due to the production difficulties early in the year resulted in a much lower carryover of hoggets into 2014 and helped to keep deadweight prices firm for much of the year. Strong demand for lamb from the local processors resulted in a larger proportion of NI lambs being slaughtered locally although the live export of lambs to ROI for direct slaughter has remained an important outlet for NI lambs.

Information Services

LMC has continued to develop its knowledge base over the course of the year by obtaining new information and by making improvements to existing datasets. LMC obtained new information from DARD on sheep prices, weights and grades during the year. This has facilitated more detailed analysis of developments in the sheep trade, information on which had previously been very limited. During the year, the Market Information Department continued to work closely with colleagues in industry and government to develop the potential for improved information provision on the liveweight cattle and sheep trade through the development of appropriate databases.

LMC continued to deliver its weekly price reporting obligations on behalf of RPA and 52 weekly price reports were supplied to Brussels during the year. The basis for this service is the provision of individual factory price reports to LMC on a weekly basis and in 2013/14, 77 per cent of NI cattle were price reported. The department has communicated its weekly price reports in a variety of formats and publications, including the agricultural press, LMC Bulletin and LMC website.

Market Research

The Market Information department advanced several very important economic research projects 2013/14. During the year LMC completed its investigation into the causes of the price differential between Northern Ireland and Great Britain which it had commissioned in December 2012. The study involved quantitative and qualitative research to establish the main reasons for the price differential and any action that could be taken at industry level to bring NI prices more into line with GB levels. The research was overseen by LMC in conjunction with a project steering group which comprised membership from the UK industry and government.

LMC received excellent engagement from industry on the research and the findings were published in December 2013 in a report titled: UK Regional Price Disparities: Understanding the GB / NI Price Differential. LMC hosted a public launch of the report and the research findings were extensively covered in the media with overwhelmingly positive feedback. The report identified a range of recommendations to resolve the price differential and progress has commenced on a number of these recommendations.

Market Analysis

The Market Information Department has continued to conduct bespoke analysis which has reflected trends in wider industry throughout the year. In 2013, reports continued to emanate from industry about a wide range in prices available for equivalent cattle. To help provide transparency and clarity on this issue, LMC undertook a detailed analysis of the spread in farmgate beef prices and published the findings of this analysis in the summer issue of the LMC Quarterly. In addition the LMC Bulletin provided regular comparisons of the quoted price and actual prices to demonstrate the level of upside potential in the market.

During 2013/14, the department also provided producers with regular updates and analysis of changes to specifications and associated in-spec bonuses and out-of-spec

deductions. There were frequent changes to pricing policies across factories during the year and LMC communicated these developments to producers. In addition, the LMC Quarterly carried detailed analysis of specific issues relating to specification, such as the logic of producing in-spec young bulls.

The department continues to provide market forecasts on the local and international developments in the beef and lamb market. During the year LMC developed a new supply forecasting model to generate timely and accurate monthly forecasts on the NI cattle kill. These forecasts will augment LMC's existing market analysis services and will support forward planning across industry.

Publications

LMC launched a new yearbook publication covering the 2013 calendar year. This booklet includes detailed annual statistics on the NI beef and sheepmeat industry and will act as a valuable reference material for government and industry. The yearbook includes information on production, trade, consumption and prices.

In 2013-14 the weekly Bulletin remained LMC's primary vehicle for the delivery of impartial and objective market information to the beef and sheepmeat industry. The Bulletin continues to be published in the Farming Life newspaper each Saturday and is also published on the LMC website and distributed by email. The LMC Quarterly was published throughout the year and delivered by post. By the end of the year its circulation had reached almost 11,000 producers with a further 1,900 email subscribers. The Quarterly continued to focus on strategically important issues including the spread in farmgate prices, specifications, costs of production and the declining production base.

The text service which is currently delivered weekly has proved to be an effective and popular method for the communication of deadweight cattle quotes. Over 4,500 producers currently subscribe to the text service accounting for a significant proportion of beef

finishers. LMC continues to provide daily price updates on the answerphone and to the popular Farmgate programme on BBC Radio Ulster.

LMC also introduced a range of new statistical outputs during the year, which are published quarterly on the website. These include a summary of deadweight cattle classification statistics on both prime cattle and cows. In addition, a new quarterly summary of calf birth and breed statistics has been published over the course of the last year. In addition, LMC publications continue to provide analysis of beef prices across the British Isles to aid decision making across the beef industry.

Export Development

LMC continued to support the work of the UK Export Certification Partnership (UK ECP) during the year to help promote the industry's objective of gaining greater market access to third countries for beef and sheepmeat products. This has proved to be a successful industry / government partnership which works to develop export health certification to third countries. During the year the partnership gained access to the lucrative Singaporean market for beef exports from the Northern Ireland and progress has been made on a range of other key third country markets.

To help identify priorities for export certification, LMC continues to maintain a repository of international market information. During the year LMC has subscribed to the Gira Meat Club and the associated reports and data will be disseminated to the NI industry in 2014 to help support decision making with regard to international marketing and export development.



I Stevenson
Accounting Officer

4 June 2014

Directors Report

Commission Membership

The Minister for Agriculture and Rural Development appoints the chairman and members of the LMC Board for three-year terms. As of 31 March 2014 there are six members on the Commission (“the Board”).

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

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

Conflict of Interests

None of the members of the Board has any significant interests which would conflict with their corporate responsibilities. A Register of Interests is maintained by the Commission for all Board members and staff. Board members interests are outlined in

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

Patrick O'Rourke (Chairman)

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

Ian Mark

Mr Ian Mark was appointed to the Board in January 2012. He was the Managing Director of Lean and Easy from 1995 to 2010 and is currently a self-employed beef and sheep farmer. He is also a Managing Partner of Foyle Hovercrafting and Leisure, immediate past Chairman of CAAN Activity Tourism Working Group and a member of the Royal Ulster Agricultural Society (RUAS) Council. He 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.

Patrick McElroy

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

James Noble (completed term on LMC Board in January 2014)

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 he

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.

Pension Liabilities

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

Auditors

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

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

The audit of the financial statements for 2013/14 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.

Staff Absence

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

	2013/14	2012/13
Percentage days lost through sickness absence	2.00%	5.62%
Cost of absence	£8,590	£8,593
Percentage of annual staff costs	1.53%	1.76%

Financial Risk Management

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

Significant Issues

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



I Stevenson
Accounting Officer
4 June 2014

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.

	2013/14				2012/13			
Name	Salary £'000	Benefits in kind (to nearest £100)	Pension benefits £'000	Total £'000	Salary £'000	Benefits in kind (to nearest £100)	Pension Benefits £'000	Total £'000
Mr P O'Rourke <i>Chairman</i>	15-20	-	-	15-20	15-20	-	-	15-20

	2013/14				2012/13			
Name	Salary £'000	Benefits in kind (to nearest £100)	Pension benefits £'000	Total £'000	Salary £'000	Benefits in kind (to nearest £100)	Pension Benefits £'000	Total £'000
Mr P O'Neill <i>Board Member</i>	5-10	-	-	5-10	5-10	-	-	5-10
Mrs M McCormack <i>Board Member</i>	5-10	-	-	5-10	5-10	-	-	5-10
Mr K Sharkey <i>Board Member</i>	5-10	-	-	5-10	5-10	-	-	5-10
Mr I Mark <i>Board Member</i>	5-10	-	-	5-10	5-10	-	-	5-10
Mr P McElroy <i>Board Member</i> <i>(from 1 February</i> <i>2014)</i>	0-5 (Full year equival ent 5- 10)	-	-	0-5	-	-	-	-
Mr J Noble <i>Board Member</i> <i>(until 31 January</i> <i>2013)</i>	5-10 (Full year equival ent 5- 10)	-	-	5-10	10-15	-	-	10-15

	2013/14				2012/13			
Name	Salary £'000	Benefits in kind (to nearest £100)	Pension benefits £'000	Total £'000	Salary £'000	Benefits in kind (to nearest £100)	Pension Benefits £'000	Total £'000
Mr J McGaughey <i>Board Member</i> (until 30 September 2012)	-	-	-	-	0-5 (Full year equival ent 5- 10)	-	-	0-5
Mr I Stevenson <i>Chief Executive</i>	50-55	-	13	65-70	45-50	-	20	65-70

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 2013-2014 was £51,255 (2012-2013: £50,000). This was 3.13 times (2012-13: 3.04 times) the median remuneration of the workforce, which was £16,378 (2012-2013: £16,419).

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 31/3/14 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/3/14	CETV at 31/3/13	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 0-5	0-5 plus lump sum of (0-2.5)	43	33	9	-

Pension benefits are detailed in Note 16 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.

A handwritten signature in black ink that reads "Ian Stevenson". The signature is written in a cursive style with a period at the end.

I Stevenson

Accounting Officer

4 June 2014

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 2013-14

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

Scope of responsibility

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

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

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

The governance framework

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

The Minister for Agriculture and Rural Development is accountable to the Northern Ireland Assembly for the activities and performance of LMC. The Management Statement and Financial Memorandum (MSFM) define the accountability arrangements of LMC to DARD (Food Policy Branch being LMC's sponsors within DARD). During the year this was reviewed, updated and finalised for signature by DARD and LMC.

The strategic plan provides an overview of the statutory purpose of LMC. It identifies the major factors influencing LMC's strategy and formalises the major inputs from its stakeholder consultation process. The strategic plan outlines LMC's strategic objectives over a rolling 3 year period and associated business objectives for the next year. The 2013-2016 Strategic Plan was approved by DARD and the Minister in March 2013. The business plan is formed from the first 12 months of the Strategic Plan and includes key targets and milestones. The 2013-2014 Business Plan was approved by DARD and the Minister in March 2013. Financial budgets are produced annually for the forthcoming 12-month period.

The governance framework has been in place at LMC for the year ended 31 March 2014 and up to the date of approval of the annual report and statement of accounts.

LMC Board

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

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

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

Evaluation of Board Performance

Table 1 sets out the attendance of Commission Members for the financial year 2013/14 at Board and Audit Committee meetings where applicable:

Table 1

NAME	BOARD MEETING	AUDIT COMMITTEE
Patrick O'Rourke	11/11	-
Ian Mark	11/11	3/3
Mary McCormack	10/11	3/3
Patrick McElroy*	2/2	-
Jim Noble**	8/9	2/2
Phelim O'Neill	10/11	2/3
Kenneth Sharkey	11/11	-

*Appointed February 2014**Retired January 2014

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

In February 2014 the Board completed a performance self-assessment checklist using the 6 core elements of corporate governance in the 'Good Governance Standard for Public Services'. All members were satisfied with the overall compliance of the Board in each of the 6 areas, including:

- The effectiveness of meetings;
- The Board operates the highest standard of governance;
- Formal governance procedures are in place and regularly reviewed
- Roles are clearly defined; and
- The quality and frequency of the financial, performance and other management information provided to Board members.

The results of the self-assessment were discussed at the March 2014 Board meeting, and the overall results of the checklist are shown in Table 2.

Table 2

Exceeded expectation	Met expectations	Partially met expectations	Did not meet expectations
21%	63%	15%	1%

Action points from the self-assessment exercise include:

- Actively pursuing direct communication with DARD including a Sponsor Representative at Board meetings as required.
- Ensuring the Board continues to be composed of members with the right skills, knowledge and aptitude.
- Continuous professional development of Board members is on-going.
- Increased visibility with stakeholders.

The Internal Audit Branch Annual Report and Opinion 2013/14 on the LMC recorded that the Terms of Reference for the Board outlined its roles and responsibilities and is up-to-date, and that Board membership is independent non-executive members and comprises a balance of skills and experience.

Committees of the Board

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

Audit Committee (AC)

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. The AC's Terms of Reference were updated as required during the year.

Mr James Noble, who was Committee Chair, stood down from the Board at the end of January. Mr Patrick McElroy took over the role of Chair at the beginning of February 2014. A detail of attendance by Committee members is given above in Table 1.

The Committee is attended also by the NIAO as external auditor, representatives of Internal Audit (DARD IA), representatives of the sponsor body (DARD), and senior members of LMC staff. It is established practice of the AC for members to meet with external audit and internal audit at the beginning of each meeting without LMC staff present.

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.

The Audit Committee met formally 3 times during the 2013/14 financial year, and reported to the Board after each meeting. Additional workshops were attended as and when required. It also provides the Board and Accounting Officer with an Annual Statement, summarising its conclusions from the work it has done during the year. Highlights from the report include:

- The main focus of the AC throughout 2013 was the maintenance of good governance practice and maintaining and improving procedures within LMC. Two issues raised as part of the 2012/13 Internal Audit report that required progress in 2013/14 were clarification of the Corporation Tax position and revising and updating the Risk Register.
- A restructured and revised draft Corporate Risk Register was discussed at the AC meeting on 23rd Oct 2013, and some amendments suggested. The amended draft was adopted by the LMC Board on 27th Nov 2013.
- The comprehensive review of Corporation Tax liability was an outstanding issue that required external professional input. Following tender Deloitte was appointed on 14th Nov 2013.
- With the maintenance of good governance a key goal, the AC recommended the Board adopt the HM Treasury 2013 Handbook recommendation to identify the committee as the Audit and Risk Assurance Committee and modify the Terms of Reference accordingly.
- Committee members completed the NAO Audit Committee self-assessment checklist in January 2014 and the merits of the checklist as a performance

appraisal tool were evaluated. The Committee agreed that annual performance assessment is necessary; however, it does need to be appropriate for an organisation of LMC's size, scope and risk.

In summation the Chairman states "Throughout the year the Board and Senior Staff maintained a strong focus on ensuring good governance."

Account of Corporate Governance

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

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

Conflicts of Interest

Conflict of Interest Declarations are undertaken on an annual basis and as and when required if circumstances change. Any disclosures of Board Members interests are reported in the Annual Report. If a Conflict of Interest arises during a Board meeting, the Board member excuses themselves from the meeting for the duration of that agenda item.

Account of assurances and evidence

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

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

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

LMC's performance in helping to deliver DARD policies, including the achievement of key objectives, is reported to DARD on a quarterly basis. In line with DARD's Arms Length Bodies Sponsorship Manual quarterly Accountability meetings take place between the Director of DARD's Food, Farm and Rural Policy Division and the LMC Accounting Officer. Following these meetings signed Assurance Statements are forwarded by the LMC Accounting Officer to the Sponsor Branch for review and consideration of any follow-up action. The Minister or his/her nominated representative meets the Board formally each year to discuss LMC's performance, its current and future activities, and any policy developments relevant to those activities. No Ministerial Directions were given to LMC during 2013/14.

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

Internal Audit

The Internal Audit Branch Annual Report and Opinion 2013/14 on the LMC provided an overall satisfactory opinion, that LMC's internal control framework and risk management and governance processes are effective and that they enable achievement of the Commission's objectives. The opinion was derived from an annual review which included Corporate Governance, Financial Management, the Relationship with DARD Sponsor Department, Human Resources, Health and Safety and the implementation of previously agreed Internal Audit recommendations.

IA noted the following processes were in place:

- Strategic Plan is in place and reviewed on a regular basis
- Risk Register reviewed by AC and approved by Board
- Risk Management Strategy is in place
- Terms of Reference for the Board outlines roles and responsibilities and is up-to-date
- Gifts and Hospitality Register fully completed
- Disposal and Retention Plan is in place for the management of information

Recommendations to be addressed include:

- Objectives should be reviewed to reflect the size of the organisation
- Information Loss Handling Plan and Information Asset Register should be developed

- Staff should attend Data Protection training

External Audit

The Comptroller and Auditor General (C&AG) audits and certifies LMC's annual accounts, after which LMC gains ministerial approval to lay them before the Northern Ireland Assembly. The C&AG certified the 2012-13 financial statements with an unqualified audit opinion, without modification. The report from the audit of 2012-13 financial statements included one Priority 1 finding relating to Corporation Tax, and recommended that a comprehensive review of LMC's tax position be undertaken. Following review and submission of a clearance application to HMRC, Deloitte (LMC's appointed tax consultant) was advised by HMRC on 1 April 2014 that the tax position outlined for LMC in the clearance application was acceptable. This matter has now been resolved satisfactorily.

Quality of information

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

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

The Risk and Control Framework

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

Risk Management

Leadership is given to the risk management process via the Board, the Audit 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.

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

Risk Appetite

All activities that we undertake must be consistent with our organisational values and mission. We will not accept risks that materially impair the reputation of LMC or its sponsor department, Department of Agriculture and Rural Development. However, we

value innovation and the implementation of new services which support the achievement of our goals.

Risk Register

The Corporate Risk Register was reviewed by the Audit Committee in November 2013 and was subsequently approved by the Board. Risk issues and their management are routinely discussed at each Senior Management Team meeting. During 2013/14, the main and significant risk areas identified included:

1. Damage to LMC reputation and relationship with stakeholders.
2. External event or decisions which may have implications for approved LMC business and strategic plans.
3. LMC health or safety incident involving staff, visitors or general public.
4. Information loss and security.
5. Ineffective communications, misinformation and misrepresentation of LMC information.
6. Inadequate staff resources.
7. Absence of succession planning for membership of the Board.
8. Clarification of LMC's corporation tax position and potential liability.
9. Non-extension of current Meat Industry Development (MID) Scheme if an approved replacement state-aid scheme not in place by end of the current MID scheme in March 2015.

Figure 1 LMC Risk Profile

Likelihood	High	2	7	9
	Medium	5	1,6	
	Low		3	4,8
		Low	Medium	High
	Impact			
Key		Low Risk	Medium Risk	High Risk

In managing those risks categorised as High Risk, the Chairman is engaging with DARD to ensure succession planning to the Board is prioritised before the existing Board members reach the end of their current term and the Chief Executive and LMC Management is engaging with DARD Sponsor Branch and European Services Branch to develop and obtain approval of a new state-aid scheme for LMC.

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 2013/14 that a culture of awareness exists among the staff in their departments regarding information security and dealing with information loss incidents.

Sound record management practices are in place that ensures the appropriate creation, maintenance and disposal of important information held in paper and electronic formats. Information and information systems as assets are carefully controlled with segmented access provided as required to undertake tasks.

In accordance with the Internal Audit Branch Annual Report and Opinion 2013/14 recommendations an Information Loss Handling Plan and an Information Asset Register will be developed and staff will undertake Data Protection training in the forthcoming financial year.

There were no records of any data related incidents that would constitute protective security breaches, in the financial year 2013/14.

Significant Governance Issues

In May 2013 the Going for Growth report of the Northern Ireland Agri-Food Strategy Board (AFSB) was launched at Balmoral Show by the Ministers' of Agriculture and Rural Development and Enterprise Trade and Investment. This report sets out a strategic action plan in support of the growth of the agri-food industry to 2020 and beyond and is built around 118 specific recommendations. Significantly, recommendation 1 of the report is to: 'Establish a single Agri-Food marketing Organisation for Northern Ireland to consolidate all marketing and promotional activities for the industry with a clear food promotion strategy. This organisation must explore opportunities to work with Bord Bia and Scotland Food and Drink in areas of mutual interest and where joint programmes would enable access to EU funding stream'. DETI has recently established (in May 2014) a project team to review Northern Ireland's agri-food marketing and promotional activities and will be reporting back to the DETI Minister in Autumn 2014 on options for improved delivery and opportunities to work with other bodies.

If the recommendation in Going for Growth is to be implemented as written there could be significant implications for LMC's future role in agri-food marketing which at the

moment is focussed solely on beef and lamb, as per the organisation's existing statutory remit and funding, and is controlled by LMC and approved by DARD. Pending the response of the Northern Ireland Executive Ministers to the Agri-Food Strategy Board's request for support to implement the action plan LMC continues to focus its agri-food marketing resources on supporting the beef and lamb sector. The LMC Board has briefed the Chairman of the AFSB on LMC's role in the NI industry, where LMC's activity dovetails with the recommendations in Going for Growth, LMC's close working relationships with other food bodies in the UK and RoI, and LMC's willingness to engage constructively with the AFSB, industry stakeholders and government in taking forward recommendations for the benefit of the beef and sheep meat sector and wider industry. It is too early to speculate if there will be any specific changes to LMC's remit or governance but there could be significant risks and opportunities that will have to be managed by LMC as implementation of the AFSB action plan evolves in the coming months. Progress on this matter will be reported in next year's governance statement.

There were no significant governance issues identified in the 2012/2013 Governance Statement.

Conclusion

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



I Stevenson
Accounting Officer
4 June 2014

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 (“the Commission”) for the year ended 31 March 2014 under the Livestock Marketing Commission Act (Northern Ireland) 1967. These comprise Statements of Comprehensive Net Expenditure, Financial Position, Cash Flows, 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 Commission, Accounting Officer and auditor

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

Scope of the Audit of the Financial Statements

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

the knowledge acquired by me in the course of performing the audit. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

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

Opinion on Regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view, of the state of Livestock and Meat Commission's affairs as at 31 March 2014 and of its net income, cash flows and changes in reserves for the year then ended; and
- the financial statements have been properly prepared in accordance with the Livestock Marketing Commission Act (Northern Ireland) 1967 and the Department of Agriculture and Rural Development's directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with the Department of Agriculture and Rural Development's directions issued under the Livestock Marketing Commission (Northern Ireland) Act 1967; and

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

Matters on which I report by exception

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

- adequate accounting records have not been kept; or
- the financial statements and 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.



K J Donnelly

Comptroller and Auditor General

Northern Ireland Audit Office

106 University Street

Belfast

BT7 IEU

10 June 2014

Statement of comprehensive net expenditure for the year ended 31 March 2014

	Notes	2014 £	2013 £
Expenditure			
Staff and related costs	3	560,431	488,337
Depreciation (net of deferred grant release)		29,753	35,384
Other operating charges	4	1,663,836	1,602,333
		2,254,020	2,126,054
Income - continuing operations			
Income from activities	2	2,227,497	2,166,004
Net (expenditure)/income	2	(26,523)	39,950
Finance income	5	32,872	44,379
Net income before income tax		6,349	84,329
Income tax charge	6	19,487	8,876
Net (expenditure)/income after tax	7	(13,138)	75,453
Other comprehensive net income/(expenditure)			
Items that will not be reclassified to net operating costs:			
Actuarial gain/(loss) on retirement benefits obligations		924,000	(101,000)
Net gain/(loss) on revaluation of property, plant and equipment		12,715	(500,055)
		936,715	(601,055)
Total comprehensive net income/(expenditure)			
for the year ended 31 March 2014		923,577	(525,602)

Statement of financial position as at 31 March 2014

	Notes	2014 £	2013 £
Assets			
Non-current assets			
Property, plant and equipment	8	909,010	882,622
		909,010	882,622
Current assets			
Trade and other receivables	9	346,308	405,983
Cash and cash equivalents	10	1,661,807	1,442,733
Short term bank deposits	11	1,685,843	1,643,122
		3,693,958	3,491,838
Total assets		4,602,968	4,374,460
Current liabilities			
Trade and other payables	12	448,245	314,011
Income tax liabilities		19,487	8,876
		467,732	322,887
Non-current assets plus net current assets		4,135,236	4,051,573
Non-current liabilities			
Pension liabilities	16	595,000	1,439,000
		595,000	1,439,000
Assets less liabilities		3,540,236	2,612,573
Reserves			
Income and expenditure account		3,299,314	1,432,072
Revaluation reserve		-	199,799
Designated reserves		240,922	980,702
		3,540,236	2,612,573

The notes on pages 75 to 96 are an integral part of these financial statements.

The financial statements on pages 71 to 96 were authorised for issue by the Board on and were signed on its behalf by:



Ian Stevenson
Accounting Officer
4 June 2014

Statement of cash flows for the year ended 31 March 2014

	Notes	2014 £	2013 £
Cash flows from operating activities			
Net income before income tax		6,349	84,329
Adjustments for:			
Depreciation of property, plant and equipment		29,753	40,689
Movement in trade and other receivables		59,675	(90,985)
Actuarial gain(loss) recognised		924,000	(101,000)
Movement in trade and other payables		134,234	76,975
Movement in pension liabilities		(844,000)	111,000
Notional charges		4,086	3,811
Profit on disposal of property, plant and equipment		-	-
Income tax paid		(8,876)	(7,958)
Net cash used in operating activities		305,221	116,861
Cash flows from investing activities			
Purchases of property, plant and equipment		(43,426)	(23,286)
Proceeds from sale of property, plant and equipment		-	-
Movement in short-term deposits		(42,721)	(33,091)
Net cash used in investing activities		(86,147)	(56,377)
Movement in cash and cash equivalents		219,074	60,484
Cash and cash equivalents at the beginning of the year	10	1,442,733	1,382,249
Cash and cash equivalents at the end of the year	10	1,661,807	1,442,733

Statement of reserves for the year ended 31 March 2014

	Designated reserves			Revaluation Reserve	Income and expenditure account
	Farm quality assurance scheme	Classification service	Total designated reserves		
	£	£	£		
At 1 April 2012	209,762	762,647	972,409	693,884	1,468,071
Net expenditure after tax					75,453
Other notional charges					3,811
Other comprehensive net expenditure				(500,055)	(101,000)
Transfer to unrealised revaluation reserve from income and expenditure account				5,970	(5,970)
Transferred to other designated reserves	(618)	8,911	8,293		(8,293)
At 31 March 2013	209,144	771,558	980,702	199,799	1,432,072
Net income after tax					(13,138)
Other notional charges					4,086
Other comprehensive net income				12,715	924,000
Transfer from unrealised revaluation reserve to income and expenditure account				(212,514)	212,514
Transferred from other designated reserves	31,778	(771,558)	(739,780)		739,780
At 31 March 2014	240,922	-	240,922	-	3,299,314

The classification service provided by LMC came to an end at 31 March 2011 and the classification designated reserve has been transferred into the income and expenditure account.

The revaluation reserve has also been transferred into the income and expenditure account. The opening balance of the reserve related to a property sold in 1998/99. The amount transferred in year relates to current land and buildings held below historic cost.

Notes to the financial statements for the year ended 31 March 2014

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 2013-14 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.

Notes to the financial statements for the year ended 31 March 2014

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

Standards, amendments and interpretations effective in the year ended 31 March 2014 but not relevant

The following standards, amendments and interpretations to published standards are effective for the year ended 31 March 2014 but they are not relevant to the entity's operations:

	Effective date
International Accounting Standards (IAS/IFRSs)	
IFRS 11 Joint Arrangements	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

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

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

	Effective date
International Accounting Standards (IAS/IFRSs) and amendments	
IFRS 10 Investment Entities	1 Jan 2014
IFRS 12 Investment Entities	1 Jan 2014
IAS 27 Investment Entities	1 Jan 2014

Notes to the financial statements for the year ended 31 March 2014

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

IAS 32	Offsetting Financial Assets and Financial Liabilities	1 Jan 2014
IAS 36	Recoverable Amount Disclosures for Non-Financial Assets	1 Jan 2014
IAS 39	Novation of Derivatives and Continuation of Hedge Accounting	1 Jan 2014
IAS 19	Defined Benefit Plans: Employee Contributions	1 July 2014
IFRS 14	Regulatory Deferral Accounts	1 Jan 2016
International Financial Reporting Interpretation Committee (IFRIC)		
IFRIC 21	Levies	1 Jan 2014

Amendments to the following current accounting standards will be applicable for periods commencing on or after 1 July 2014 arising from the IASB's December 2013 Annual Improvements process: IFRS 1, IFRS 2, IFRS 3, IFRS 8, IFRS 13, IAS16, IAS 24, IAS38 and IAS40. The Board is currently considering the implications of these amendments for future accounting periods.

Notes to the financial statements for the year ended 31 March 2014

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 2014

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

Notes to the financial statements for the year ended 31 March 2014

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

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

Loans and receivables (financial instruments)

(a) Trade and other receivables

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

Notes to the financial statements for the year ended 31 March 2014

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 2014

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

Pension liabilities

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

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

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

Contingent Liabilities

Under IAS 37, LMC discloses contingent liabilities where there is a possible obligation that arises from past events and whose existence will be confirmed only by the

Notes to the financial statements for the year ended 31 March 2014

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

occurrence or non-occurrence of one or more uncertain future events not wholly within the control of LMC; or a present obligation that is not recognised because it is not probable that a payment will be required to settle the obligation; or the amount of the obligation cannot be measured sufficiently reliably. A contingent liability is disclosed unless the possibility of a payment is remote.

Designated reserves

Income and expenditure arising in respect of designated purposes is credited or debited to the 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.

Notes to the financial statements for the year ended 31 March 2014

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

(c) Liquidity risk

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

Capital risk management

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

Fair value estimation

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

Critical accounting estimates and judgements

There are no critical accounting estimates and judgements.

2 Income and expenditure by activity

	Income from activities £	Expenditure £	Operating deficit 2014 £	Total 2013 £
Levy and other income	1,081,773	1,142,046	(60,273)	39,092
Rural payments agency	62,720	59,170	3,550	3,321
NIFQAS income	1,083,004	1,052,804	30,200	(2,463)
Total	2,227,497	2,254,020	(26,523)	39,950

Notes to the financial statements for the year ended 31 March 2014

3 Employee benefit expense

	Permanently employed staff	Others	Commission members	2014	2013
	£	£	£	£	£
Wages and salaries	349,689	12,475	51,580	413,744	406,599
Social security costs	24,348	842	1,554	26,744	25,150
Pension costs – defined benefit plans	119,943	-	-	119,943	56,588
	493,980	13,317	53,134	560,431	488,337

Included in the above costs is £72,000 relating to employer pension costs as detailed in Note 16.

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

	Permanently employed staff	Others	Commission members	Number	Number
Commission members	-	-	6	6	6.5
Administration (including levy collection)	17	0.5	-	17.5	16.5
	17	0.5	6	23.5	23

4 Other operating charges

	2014	2013
	£	£
Information services	10,236	13,268
Market development and advertising	1,386,211	1,398,232
Administration costs:		
Actuarial costs of pension scheme	64,000	2,000
Office expenses	185,403	173,734
Aggregate travelling and subsistence	17,986	15,099
	1,663,836	1,602,333
Office expenses include:	2014	2013
	£	£
Notional charges	4,086	3,811
Auditors' remuneration - for audit	10,000	10,000

Notes to the financial statements for the year ended 31 March 2014

5 Finance income and costs

	2014	2013
	£	£
Interest income:		
Short-term bank deposits	32,872	44,379
Finance costs - net	32,872	44,379

Short-term bank deposits

Short-term bank deposits earned interest at a rate of 1.95% over the financial year.

6 Income tax charge

	2014	2013
	£	£
Current income tax:		
Current UK corporation tax at 20% (2013: 20%)	8,826	8,876
Additional UK corporation tax for previous four years as agreed with HMRC	10,661	-
Income tax charge	19,487	8,876

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% (2013: 20%). The differences are reconciled below:

	2014	2013
	£	£
Surplus before income tax	6,349	84,329
Tax calculated at the UK small companies rate of corporation tax of 20% (2013: 20%)	1,270	16,866
Effect of:		
Deficit not taxable	7,556	(7,990)
Income tax charge	8,826	8,876

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

Notes to the financial statements for the year ended 31 March 2014

7 Segment information

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

The segment information provided to the Board for the reportable segments for the year ended 31 March 2014 is as follows:

	Levy Funded Activities	NIFQAS	Rural Payments Agency	Other	Total
	£	£	£	£	£
Income from external parties	1,012,171	1,083,004	62,720	69,602	2,227,497
Interest Received	30,900	1,972	-	-	32,872
Expenditure (excluding notional costs)	(988,358)	(1,052,804)	(59,170)	(69,602)	(2,169,934)
Operating surplus before tax	54,713	32,172	3,550	-	90,435
Income tax expense	(19,093)	(394)	-	-	(19,487)
Surplus before notional costs and after tax	35,620	31,778	3,550	-	70,948
Adjustments in respect of notional costs:					(4,086)
Internal audit					(80,000)
Actuarial costs of pension scheme					(80,000)
Total deficit reported for year					(13,138)
Total assets less liabilities	1,836,899	240,922	1,462,415	-	3,540,236
Depreciation	13,766	8,706	2,281	5,000	29,753

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 2014

8 Property, plant and equipment

	Freehold Land £	Property Buildings £	Exhibition equipment, fixtures, fittings and office furniture £	Computers £	Total £
Cost or valuation					
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)
At 31 March 2013	402,885	470,475	256,007	253,845	1,383,212
Depreciation					
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)
At 31 March 2013	-	12,715	255,111	232,764	500,590
Net book amount					
At 31 March 2013	402,885	457,760	896	21,081	882,622
At 31 March 2012	584,000	789,415	5,819	20,846	1,400,080
Cost or valuation					
At 1 April 2013	402,885	470,475	256,007	253,845	1,383,212
Additions	-	-	-	43,426	43,426
Disposals	-	-	-	-	-
Indexation *	-	-	-	-	-
At 31 March 2014	402,885	470,475	256,007	297,271	1,426,638
Depreciation					
At 1 April 2013	-	12,715	255,111	232,764	500,590
Provided during the year	-	13,069	896	15,788	29,753
Eliminated in respect of disposals	-	-	-	-	-
Indexation	-	(12,715)	-	-	(12,715)
At 31 March 2014	-	13,069	256,007	248,552	517,628
Net book amount					
At 31 March 2014	402,885	457,406	-	48,719	909,010
At 31 March 2013	402,885	457,760	896	21,081	882,622

*The indexation indice for the year is 0% as provided by Land and Property Services.

Notes to the financial statements for the year ended 31 March 2014

8 Property, plant and equipment (continued)

Depreciation expense of £29,753 (2013: £40,689) 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. For the year ended March 2014 Land and Property Services provided 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

	2014	2013
	£	£
Levies (statutory)	157,288	184,641
Rural payments agency receivable	25,608	30,457
Farm quality assurance scheme receivables	102,045	94,530
Trade debtors	4,992	4
Prepayments and accrued income	56,375	96,351
	346,308	405,983

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

	2014	2013
	£	£
Cash at bank and on hand	1,661,807	1,442,733

Notes to the financial statements for the year ended 31 March 2014

11 Short term bank deposits

	2014	2013
	£	£
Short term bank deposits	1,685,843	1,643,122

12 Trade and other payables

	2014	2013
	£	£
Accruals	408,647	261,430
Trade creditors	131	41,120
Other taxation and social security	39,467	11,461
	448,245	314,011

13 Contingent Liabilities disclosed under IAS 37

Following the strategic review of LMC by DARD and the resultant reorganisation of LMC staffing and responsibilities, the Board commissioned a grading review of all staff positions. The Board also commissioned a comparison of current LMC salaries to private sector pay in Northern Ireland and the respective NICS pay scales that would apply if the grading review was adopted.

A business case was submitted to DARD and DFP in March 2014 to implement the grading review and salary proposals however their decision is outstanding at the year end. There is a potential liability of approximately £11,000 depending on DARD and DFP approval of the business case.

14 Related party transactions

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

LMC is a one-eighth owner of Northern Ireland Food Chain Certification (NIFCC) and is

Notes to the financial statements for the year ended 31 March 2014

14 Related party transactions (continued)

represented on the board of directors. During the year LMC provided accounting, administration and human resources services to NIFCC valued at £75,026 (2013:£81,902). NIFCC provided LMC with inspection services and marketing information during the year valued at £730,788 (2013: £727,374). The amount due to NIFCC at 31 March 2014 was £80,738 (2013: Nil). NIFCC is operated as a not-for-profit organisation and therefore no NIFCC reserves are recorded in LMC's financial statements.

In addition LMC entity provided office space and administration services to Northern Ireland Meat Exporters Association valued at £ 4,777 (2013: £6,073). The amount due from NIMEA at 31 March 2014 was £4,992 (2013: 5,923).

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

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

Notes to the financial statements for the year ended 31 March 2014

14 Related party transactions (continued)

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

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

	Debtors: 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	25,608	-	59,558	-
Balances with local authorities	-	-	-	-
Balances with NHS trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Balances with bodies external to government	320,700	-	408,174	595,000
At 31 March 2014	346,308	-	467,732	595,000
	Debtors: amounts falling due within one year £	Debtors: amounts falling due after more than one year £	Creditors: amounts falling due within one year £	Creditors: amounts falling due after more than one year £
Balance with other central government bodies	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
At 31 March 2013	405,983	稀	322,887	1,439,000

Notes to the financial statements for the year ended 31 March 2014

15 Financial instruments

The entity's financial instruments are classified as follows:

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

16 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 1/60th of pensionable pay for each year of reckonable service. Employees pay contributions of between 5.5% and 7.5% of pensionable earnings depending on the pay band the pensionable pay falls into. All pensions are reviewed annually in April under the Pension Increase Legislation and increased in line with inflation. On death of a member, surviving spouses, civil partners or, subject to certain qualifying conditions, nominated co-habiting partners pension and pensions for eligible children are payable. In addition, on death in service, there is a lump sum payment due to the employee's estate of three years' pensionable pay. To finance these benefits, assets are accumulated in the scheme and are held separately from the assets of the employers.

A full actuarial valuation of the scheme was carried out as at 31 March 2013 which indicated that the scheme remains in deficit. The employer contribution rates for LMC set by the Actuary for the three years to 31 March 2017 will be 16% with additional monetary amounts payable each year.

Notes to the financial statements for the year ended 31 March 2014

16 Pension liabilities (continued)

An actuarial valuation of the scheme using the projected unit basis was carried out at 31 March 2014 by Aon Hewitt Ltd. The principal assumptions used were as follows:

	2014	2013	2012
	%	%	%
Future salary increases	3.9	5.2	4.8
Discount rate	4.3	4.5	4.8
Inflation rate	2.4	2.8	2.5
Future pension increases	2.4	2.8	2.5

The mortality assumptions used were as follows:

	2014	2013	2012
	years	years	years
Longevity at age 65 for current pensioners			
- Men	22.1	23.2	22.9
- Women	24.6	26.1	25.7
Longevity at age 65 for future pensioners			
- Men	24.3	25.2	24.9
- Women	26.9	28.1	27.7

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

	Value at 2014	Value at 2013	Value at 2012
	£	£	£
Equity	6,037,000	5,978,000	5,150,000
Bonds	976,000	901,000	974,000
Property	911,000	609,000	557,000
Cash	212,000	372,000	278,000
Other	-	47,000	-
Total market value of assets	8,136,000	7,907,000	6,959,000
Present value of scheme obligations	(8,731,000)	(9,346,000)	(8,287,000)
Deficit in scheme	(595,000)	(1,439,000)	(1,328,000)

Notes to the financial statements for the year ended 31 March 2014

16 Pension liabilities (continued)

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

	2014 £	2013 £
At 1 April	7,907,000	6,959,000
Interest Income on scheme assets	350,000	390,000
Contributions by members	20,000	18,000
Contributions by employer	56,000	48,000
Remeasurement of gains on assets	123,000	797,000
Benefits paid	(320,000)	(305,000)
At 31 March	8,136,000	7,907,000

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

	2014 £	2013 £
At 1 April	9,346,000	8,287,000
Current service cost	72,000	56,000
Interest cost	414,000	392,000
Contributions by members	20,000	18,000
Actuarial (gains)/losses	(801,000)	898,000
Past Service Costs	-	-
Losses on Curtailments	-	-
Benefits paid	(320,000)	(305,000)
At 31 March	8,731,000	9,346,000

Analysis of amount recognised in the income and expenditure account

	2014 £	2013 £
Current service cost	72,000	56,000
Interest cost	414,000	392,000
Expected return on pension scheme assets	(350,000)	(390,000)
Past Service Costs	-	-
Losses on Curtailments	-	-
Total operating charge	136,000	58,000

Notes to the financial statements for the year ended 31 March 2014

16 Pension liabilities (continued)

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

	2014	2013
	£	£
Actual return less expected return on pensions scheme assets	123,000	797,000
Changes in assumptions underlying the present value of the scheme liabilities	801,000	(898,000)
Actuarial gain/(loss) recognised in the statement of recognised income and expenses	924,000	(101,000)
Cumulative actuarial losses recognised in the statement of recognised income and expenses	(655,000)	(1,641,000)

History of experience gains and losses

	2014	2013	2012	2011	2010
	£	£	£	£	£
Defined benefit obligation	(8,731,000)	(9,346,000)	(8,287,000)	(7,540,000)	(9,492,000)
Plan assets	8,136,000	7,907,000	6,959,000	6,996,000	5,980,000
Deficit	(595,000)	(1,439,000)	(1,328,000)	(544,000)	(3,512,000)
Experience adjustments on plan assets	123,000	797,000	(428,000)	397,000	1,480,000
Experience adjustments on plan liabilities	250,000	13,000	(109,000)	822,000	-
Total amount recognised in the statement of recognised income and expenses	924,000	(101,000)	(780,000)	1,843,000	(2,043,000)

Analysis of projected amount to be charged to operating profit for the year to 31 March 2015

	£	% of pay
Projected Current Service Cost	73,000	23.3
Net Interest on the Net Defined Benefit Liability (Asset)	23,000	7.3
Past Service Cost	-	-
Losses/(Gains) on Curtailments and Settlements	-	-
Total	96,000	30.6



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