



**Livestock and
Meat Commission
for Northern Ireland**

Annual Report
and Accounts
for the year ended
31 March 2016

Livestock and Meat Commission for Northern Ireland

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for the year ended 31 March 2016**

*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*

30 September 2016

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Any enquiries regarding this publication should be sent to us at
Livestock & Meat Commission for Northern Ireland, Lissue Industrial Estate (East),
1A Lissue Walk, Lisburn, BT28 2RL

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Performance Report

Overview

Chairman's Statement/Foreword

I am pleased to present the forty ninth Annual Report of the Livestock and Meat Commission for Northern Ireland (LMC). This report covers the period 1 April 2015 to 31 March 2016.

During a year which saw the appointment of 5 new board members, including myself as Chairman, all targets as set out in the 2015-16 business plan were met and we continued to take forward a range of initiatives for the benefit of our funding and wider stakeholders. Details of the Commission's activities throughout the year are outlined later in the annual report, and I invite you to read about our work and to provide us with any constructive feedback to help inform our future strategy and business planning.

The beef and lamb sectors continue to face challenges including, among others, price volatility, the redistribution of payments between farm types under Common Agricultural Policy (CAP) Reform, the effects of the continued ban on European Union (EU) exports into Russia, and more latterly concerns over the Brexit debate and renewed trade discussions between the EU and Mercosur countries.

As the lead organisation actively providing agri-food marketing and promotion services to the local beef and sheep meat sectors, the LMC continues to consult directly with farming and processing stakeholders and to work with our partners to further the development of beef and sheep meat supply chains in Northern Ireland and to support the marketing of livestock and livestock products. During the year the newly appointed board undertook a review of our 3 year strategy and related business plan and set out our proposed strategic objectives for the period 2016-2019.

The Northern Ireland livestock and meat processing sector is highly proficient with a strong focus on producing and adding value to local beef and lamb for consumption in domestic

and export markets. The sector is well recognised for supplying premium retail and food service customers throughout the United Kingdom (UK) and European Union and the industry responds well to market signals with almost 100% of price reported cattle now Farm Quality Assured at point of slaughter. Achieving greater access to third country export markets (countries outside of the EU), as well as optimising returns on all technical components of the carcass that can be marketed, remains an important strategic priority for LMC and its stakeholders. Throughout the year LMC remained actively involved in the work of the UK Export Certification Partnership, and the Department of Agriculture and Rural Development's (DARD) Meat Export Working Group.

LMC has long recognised the need to dismantle costly BSE controls that are borne by the supply chain and to this end demonstrated its support, on behalf of our industry stakeholders, to back Department of Agriculture, Environment and Rural Affairs (DAERA) proposed application to the World Organisation for Animal Health (OIE) for BSE Negligible Risk Status for Northern Ireland. I am pleased to report that the LMC Board agreed to fund, on behalf of industry, the 9,000 Euro application fee that would be required to submit an application to OIE. It is LMC's view that opportunities to access a broader range of markets outside the European Union would, in time, be enhanced with BSE Negligible Risk Status for Northern Ireland, should the DAERA Minister decide to proceed with an application.

Throughout the year LMC continued to work closely with the Agri-Food Strategy Board (AFSB) to support the delivery of sustainability, marketing, supply chain and sectoral development objectives in the "Going for Growth" strategy. LMC continued to participate in the livestock genetics sub group, providing funding and expertise to the Abacus Bio research project. Using genomic technologies to increase the accuracy of selection of livestock has the potential to generate greater returns to the sector in the future. The Board welcomed the appointment by AgriSearch of a Project Manager to oversee development work for the proposed Northern Ireland Livestock Industries Data Hub.

The beef and sheep meat sector represents a quarter of Northern Ireland's agri-food produce and we look forward to participating fully on behalf of the industry, in the emerging Agri-Food Marketing Body.

Since my appointment as Chairman of the Livestock and Meat Commission in November 2015, I have engaged in regular meetings with key stakeholders both within and supporting the industry. These stakeholder meetings provide the Board with valuable insights into the aspirations of and issues of concern to the beef and lamb sector. It has become apparent, from feedback received, that much of the work of LMC is carried out “under the radar” and that often stakeholders are not fully aware of the extent of services we provide nor the breadth and depth of expertise available within LMC. To address this lack of awareness the LMC Board agreed to seek to promote what we do through local media and by engaging directly and regularly with stakeholders. I intend to continue this engagement throughout 2016-17.

This year witnessed considerable change to Board membership with the appointment of 5 new Board members including myself. I am very ably supported by a dedicated, hard working and experienced Board who are representative of our funding and wider stakeholders and who collectively bring to LMC a wealth of expertise and knowledge from across the industry. I would like to take the opportunity to acknowledge and thank the members who retired during the year with particular reference to my predecessor, Pat O’ Rourke, who previously guided the organisation through a period of change and reform.

I would also like to thank the staff in LMC whose commitment and dedication ensures that the organisation performs to the highest standards. Thanks also to Minister Michelle O’Neill MLA, and to the officials in the Department of Agriculture and Rural Development (DARD).

As we move into the 2016-17 year, the Board looks forward to working with the new Department of Agriculture, Environment and Rural Affairs (DAERA), and with the new Minister. As ever LMC will continue to represent and support the interests of the Beef and Lamb sector in the promotion and development of the Northern Ireland agri-food industry.

Finally, I want to thank you, the valued stakeholders who fund the Livestock and Meat Commission, for your continued support and guidance.

A handwritten signature in black ink, appearing to read 'G McGivern', is positioned to the right of a vertical line.

Gerard McGivern

Chairman

Livestock and Meat Commission

17 August 2016

Strategic Report

Introduction

The Commission presents its Annual Report and Accounts for the 2015-16 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 (FRM) 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 (NDPB), 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 and 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 2015-16. These identify what LMC is seeking to achieve with its services and link directly to the Strategic Objectives (there were 11 Business Objectives in the 2015-16 Business Plan). Under each of the business objectives detailed business activities with individual targets were undertaken. Progress against the business objectives was monitored throughout 2015-16, and was formally recorded at the end of each quarter in the LMC Business Monitor.

Chief Executive's Review

I am delighted to report that during 2015-16, LMC, in line with our Mission Statement, successfully delivered a comprehensive programme of assurance, education, industry development, market information and promotional activity across our various service delivery sections. This activity is in direct support of the organisation's strategic objectives which align closely to our statutory functions under the 1967 LMC Act. The activity is specifically tailored to the needs of our funding stakeholders and helps to contribute to delivery of DARD's goals in its 2012-2020 Strategic Plan. Details of LMC's performance against the specific targets, as outlined in our Business Plan at the start of 2015-16, are reported later in this annual report. Also provided in this report are highlights of work undertaken within the main business areas throughout the year in support of our strategic objectives and the audited financial statements for the organisation.

It is with great regret that I have to report that our office premises at 31 Ballinderry Road Lisburn, known as Lissue House, was destroyed by fire on 09 June 2016. The building was held as an asset by LMC and shown in Note 8 to the Financial Statements at a value of £388,235. LMC has advised its insurance providers and is seeking temporary office accommodation in the Lisburn area to minimise disruption to staff and stakeholders. While discussions are progressing with their insurers the directors do not anticipate any loss to arise from this event. Continuity of LMC business was assured through the establishment of a temporary hub of operation at CAFRE's Greenmount Campus and disruption of service provision to stakeholders was kept to a minimum.

The Northern Ireland red meat industry continued to operate within a very complex and challenging commercial environment during the financial year. At the beginning of the financial year the application of new Country of Origin Labelling (COOL) rules for lamb contributed to some initial concerns in the sector that the traditional all-island trade in lamb could be severely disrupted as a consequence of the new labelling rules. Whilst EU country of origin labelling regulations are undoubtedly an influencing factor on Northern Ireland beef and lamb markets the trade is quick to adapt to new changes when they are introduced and this was the case with COOL.

Regulations by their nature give rise to additional supply chain costs as meat from livestock of different or mixed origins have to be batched separately and labelled according to the EU rules. Separate batching also rings true for many customers of industry who do not allow for mixed origin beef or lamb in their specifications. Despite the costs of labelling, the ability of Northern Ireland (NI) suppliers to market NI born, reared and slaughtered beef and lamb as UK origin in the UK market place has however been of general advantage to our local industry and this has been particularly evident post 'horsegate' in 2013 when UK customers generally shifted to shorter UK supply chains and full traceability. The UK is likely to remain the most important customer of NI red meat for the foreseeable future and the challenge for the sustainability of local supply chains is to make strident efforts to get as many of our livestock into premium market specifications as is possible.

During May 2015 LMC welcomed over 3,000 stakeholders and visitors to our stand at the Balmoral Show to discuss the state of the trade, to engage with LMC staff and Board members, to sample some excellent quality Northern Ireland Farm Quality Assured Beef and Lamb and to let stakeholders see and understand how LMC invests the funding it receives from them in advancing the marketability of the sector and its products. Without the support of our stakeholders LMC would struggle to meet the strategic objectives that we set for the organisation. We greatly value the ongoing contribution that we receive from our stakeholders, not just in terms of finances through statutory levies or fees for provision of Northern Ireland Beef and Lamb Farm Quality Assured Scheme (NIBLFQAS), but in terms of the advice, feedback and expertise that they so willingly give to LMC to help us design and deliver services that meet with their needs and expectations. We work with a wide range of suppliers and partner organisations both within and outside Northern Ireland to assist us in the delivery of our comprehensive programme of work and we are also grateful for their assistance.

As an Executive NDPB sponsored by DARD we have very close working relationships with staff in the DARD sponsor team who help us to meet the very exacting standards that are expected of all public bodies in Northern Ireland. I am pleased to report that the DARD Internal Audit Review of LMC for 2015-16 reported an overall satisfactory opinion with no priority 1 recommendations for improvement. This is an excellent reflection on the sound governance arrangements that LMC has in place throughout the organisation and we would

like to thank our DARD Senior Sponsor and her staff and those in DARD Internal Audit for their assistance and guidance.

July 2015 marked the appointment of the first three of five new members to the LMC Board who were appointed by Agriculture and Rural Development Minister Michelle O'Neill MLA during the course of the financial year. The new Board members, including a new Chairman for LMC who was appointed in November 2015, have wasted no time in getting out to meet with farming and processing stakeholders to hear first-hand what challenges and opportunities they see for the sector and how best LMC can tailor its strategy and service delivery to help realise their ambitions. Some of the key comments from LMC stakeholders, which were gathered during the Autumn and Winter of 2015-16, which are helping LMC to develop its strategy over the next 3 years include:

- Manufacturing beef markets are still very challenging and greater access to third country markets is essential to add the most value to every technical component of the animal that can be marketed and to limit potential damage to cattle prices particularly when more cattle come onto the market in the second half of 2016 and into 2017;
- More secure and managed supply chains are essential to capitalise on best market opportunities including getting more of our UK origin cattle into market specifications;
- NIBLFQAS is an essential area of work carried out by LMC that has the buy-in of all stakeholders but there are real concerns about the potential implications of Lifetime Assurance if Red Tractor Assurance continues on its current path towards implementation;
- A big challenge in the livestock sector is the age profile of farmers and it is critically important to get people focussed on things that can be improved in their own businesses;
- Stakeholders recognise the value of services that LMC provides to the sector and want it to have a meaningful presence in the industry going forward;
- There are concerns amongst stakeholders about the inflexibility of Government controls over LMC financials (in particular the in-year balanced budgeting requirements and

difficulties in accessing reserves) with stakeholders feeling that ultimate control over the destiny of LMC finances from industry should rest with LMC;

- Board public appointments process is seen as too regulated by some stakeholders and there is a view that some appointments to the Board should be direct nominations from funding stakeholders (which is not possible under the LMC's current legal framework);
- Independence of LMC is seen as critical in particular the transparency brought about through its market intelligence work;
- Stakeholders are generally unclear about the remit and funding of the new agri-food marketing body being developed by the Agri-Food Strategy Board with support from DETI and are keen to understand more about LMC's potential role within the new entity on behalf of the beef and sheep meat sector (which contributes over 25% of total revenue from NI food and drink sales);
- There is a keenness to see more joined up working between organisations with an interest in the sector to drive forward mutual supply chain agendas such as new market access and promotion of the positive story that Northern Ireland industry has to tell in export markets;
- Price Differentials with Great Britain (GB) remain a major issue for farming stakeholders.

In developing the LMC Strategic Plan for 2016-19 the Board and LMC Management have utilised this important feedback received from stakeholders and, in consultation with DARD Sponsor Branch and the DARD Board, LMC has developed a comprehensive Strategy and programme of activity that is being rolled out from 01 April 2016. The LMC Strategic Plan for 2016-19 will be published on the LMC website, subject to the approval of a new Minister at DAERA.

In the first quarter of 2016 the agri-food and drinks industry was striving to put its best foot forward with the high profile Northern Ireland Year of Food and Drink 2016 getting

underway. The products of the Northern Ireland beef and sheep meat industry have a strong affinity with local consumers who on average eat 60% more carcass beef in the home relative to the other regions of the UK. LMC is a strong supporter of the NI Year of Food and Drink 2016 and in the final quarter of the 2015-16 reporting year we produced exciting new television creative for promoting even greater consumption of NIBLFQAS beef and lamb that will be publicly launched in the first quarter of the 2016-17 reporting year. Having a strong platform of consumption of our quality beef and lamb in the domestic market is recognised by industry as essential to building a strong footprint in premium markets outside Northern Ireland.

There is no doubt that the Northern Ireland industry has a good reputation for quality and service amongst its domestic and export customers but the trading environment is far from easy and competition for market share is fierce. LMC is passionate about sustainability and we are supporting our stakeholders on their journey to grow the presence and reputation of Northern Ireland beef and lamb in the markets that we serve. Almost 100% of our beef and lamb at slaughter has been independently assured through NIBLFQAS to a range of quality parameters covering animal welfare, care for the environment and food safety; our livestock and meat is traced by one of the most sophisticated traceability systems in the world in the Animal and Public Health Information System (APHIS); the compound feed for our livestock is supplied through the world leading Food Fortress Initiative; we have some of the most professional and knowledgeable farmers and processing companies in the world; we have an abundant water and forage supply to play an active part in feeding a growing global demand for animal protein; and we have passionate and forward thinking people in industry, government, research and support sectors working together to lead our sustainable growth ambitions.

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. More details regarding LMC's work on sustainability and climate change are outlined on Page 22 of this Annual Report. 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 was established by the Livestock Marketing Commission Act (Northern Ireland) 1967 as a body corporate with perpetual succession. As an Executive NDPB LMC is classified to the central government sector for national accounts purposes and is sponsored by DARD. LMC's main funding comes from a statutory levy on livestock slaughtered within Northern Ireland. Commercial income in 2015-16 was also generated by the provision of Agency Services (Cattle Deadweight Price Reporting) to the Rural Payments Agency (RPA). The Service Level Agreement with RPA for Cattle Deadweight Price Reporting to the European Union (EU) ended on 31 March 2016. LMC has signed a new Service Level Agreement with DARD for the provision of Cattle Deadweight Price Reporting for the Northern Ireland Region to the EU from 1 April 2016.

Levies

Under the Livestock and Meat Commission Regulations (Northern Ireland) 2003 the maximum sums payable per head 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 has discussed 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, although no decision has been reached to implement this option.

Northern Ireland Beef and Lamb Farm Quality Assurance Scheme (NIBLFQAS)

Under 2015-16 funding arrangements for NIBLFQAS, 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 73 to 99. Income from LMC activities for the year of account was up on 2015 levels by almost £25k to £2,237,510.

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 2016 our entire income from activities had been fully utilised for the delivery of the planned programme of activity. A detailed analysis of each of the operational segments of LMC is shown on page 89 at Note 7. This note shows that when finance income is included and income tax charges are deducted, LMC ended the financial year at 31 March 2016 in a satisfactory position recording a small deficit, before notional cost adjustments of £33,334. A depreciation expense of £30,965 has been fully charged to expenditure and is included in this figure.

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 NIBLFQAS 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. LMC's funding stakeholders are strongly of the view that all income generated from activity within the year should be fully utilised for the benefit of the beef and sheep meat sector, and if possible avoid any surpluses being returned to reserves. Given the significant fluctuations which can occur in any given year we are pleased that our ongoing monitoring of business income and expenditure throughout the year has led to this satisfactory end of year position.

The market value of pension scheme assets at year-end of £9.024m, are almost identical to last year's market value of £9.030m. The present value of the pension scheme obligation at £9.211m has decreased from £9.667m at the previous year end resulting in a net pension deficit at year end of £187k.

LMC is pleased to report that our financial position remains strong at 31 March 2016 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.

Performance Analysis

LMC Performance 2015-16

The table below summarises LMC's performance against its Business Plan targets for 2015-16. For further information on the detailed monitoring of 2015-16 objectives please contact LMC.

	Business Plan Performance Target	Outcome 31 March 2016
1	Commissioning / Leveraging essential Production and Meat research - Ensure research proposals are adequately resourced and delivered on time and on budget and in line with industry needs.	Achieved
2	Facilitating Beef and Sheep Meat Business Improvement Initiatives - Ensure that industry is equipped with the appropriate tools to encourage sustainable intensification and delivery of produce in line with market specifications.	Achieved
3	Enhancing the Sustainability Credentials of the Industry - Develop industry/stakeholder understanding of, and its response to, climate change.	Achieved
4	Developing staff knowledge and skills - Provide our staff with the right skills and knowledge through appropriate training interventions and networking opportunities.	Achieved
5	Provision of an Effective and Efficient NIBLFQAS Membership Scheme - Oversee the management of NIBLFQAS and ensure it evolves in line with the needs of all industry stakeholders.	Achieved
6	Provision of Strategic Education Services - Enhance both the understanding of agriculture and food among pupils in secondary level education and the general consumer.	Achieved
7	Promotion of Beef and Lamb Consumption by Consumers - Deliver a promotional campaign with an appropriate media mix in order to maximise reach to a range of stakeholders.	Achieved
8	Assembling of Essential Market Information - Ensure that LMC staff and stakeholders have access to detailed market information on the livestock and red meat trade.	Achieved
9	Communication of Market Information to Stakeholders - Communicating market information through LMC Publications, Text Alerts, Conferences and Website.	Achieved
10	Facilitating Market Access and Development - Support of initiatives to encourage the export marketing of NI beef and lamb.	Achieved

11	Improving Stakeholder Understanding of LMC - Ensure stakeholders fully understand LMC's role, functions and value added.	Achieved
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Review of Activity 2015-16

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 and profitable beef and 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 (NIBLFQAS) and the operation and development of LMC's Education and Consumer Promotion programmes.

1. Industry Development

Highlights of LMC's Industry Development activity for 2015-16 include the following:

Public Procurement of Beef and Lamb

LMC has previously been involved in shaping a new British Food Plan. This initiative introduces a new approach to public procurement by ensuring that food bought by the public sector in England will meet the highest possible standards. This year LMC has switched its focus to public procurement of beef and lamb in Northern Ireland and has met with Central Procurement Directorate on a number of occasions to discuss the policy guidance regarding public procurement of red meat. Encouragingly there is now scope within the guidance to allow the public sector to specify the need for assured produce as part of public sector contracts. LMC also met with the Education Authority's procurement manager for fresh meat to discuss this matter. The key challenge is procuring local produce at the required price level.

Food and Feed Safety

During the course of the year LMC engaged with the Food Standards Agency Northern Ireland (FSA (NI)) as part of the Food and Feed Industry Advisory Panel (FFIAP). LMC also worked with the FSA (NI) to ensure appropriate implementation of beef labelling legislation changes regarding voluntary claims and earned recognition of NIBLFQAS participation with regard to Food and Feed Hygiene Regulation inspections.

Business Improvement and Knowledge Transfer

LMC continues to participate in the Greenmount Abbey Farm Knowledge and Technology Transfer (KTT) Working Group and also advises the College of Agriculture, Food and Rural Enterprise (CAFRE) on a range of KTT Projects. LMC also participates in CAFRE's Red Meat Board which involves providing strategic direction to the development of the two CAFRE farms and twice a year receives presentations from the students on a range of topics pertaining to beef and sheep production and management of the systems at the Abbey farm.

LMC participated in the bi-annual sheep event Sheep NI and was also a key sponsor of the inaugural Pedigree Calf Fair at Kings Hall Belfast. Both events enabled LMC to positively engage with industry stakeholders and discuss LMC's business activities.

Agri-Food Strategy Board (AFSB) Recommendations

LMC represented the interests of the beef and sheep meat sectors at meetings of relevant Agri-Food Strategy Board sub groups. LMC has been involved in coordinating the industry to assist with the out workings of key recommendations in the AFSB report including an initiative to progress the restructuring of genetic improvement systems for Northern Ireland's dairy, beef and sheep sectors to increase rates of genetic improvement and help to position NI among the international leaders in the application of genetics in these sectors. LMC made a significant financial contribution to a research project, commissioned with the world leading experts Abacus Bio from New Zealand, enabling an options analysis and business case to be developed with the aim of creating a livestock improvement information hub utilising web services links to existing sources of data such as APHIS, Bovine Information System (BovIS), milk recording service providers, artificial insemination companies, breed societies etc. LMC has also contributed to this initiative through the Sire Recording Working

Group with the aim of defining the requirements of a fit for purpose robust sire recording system.

Sustainability and Climate Change

LMC is a member of the Sustainable Agriculture Initiative (SAI) Platform and has been actively participating in the Platform's Sustainable Beef Working Group (SBWG) since its establishment in 2011. The group is working to develop guidance and metrics for the Global Principles of Sustainable Beef Production that were published by SAI in November 2013. These principles have formed the basis for a beef Farm Sustainability Assessment which LMC has been involved in shaping through a consultation exercise and pilot of the on farm assessment tool. When completed this may be used by assurance providers, companies and their suppliers throughout the world to help assess the sustainability of their beef supply chains. LMC took part in the SAI Platform General Assembly and Conference in Castleknock Dublin during March 2016 as well as a number of Sustainable Beef Working Group meetings throughout the year. The SBWG has been raising the profile of European Beef Sustainability throughout the world and is actively working with the Global Roundtable for Sustainable Beef to elevate the sustainability credentials of beef production and the positive economic, social and environmental contribution that it makes on the world stage.

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

Research and Development

LMC is involved in a number of important Research and Development (R&D) projects on behalf of its stakeholders. LMC participated in three meetings of the R&D Joint (Levy Body) Committee this year. This provides an opportunity to contribute to larger research projects on a pro rata basis. LMC is also represented on the AgriSearch Beef and Sheep Advisory Committees and made a financial contribution to sheep research this year. The funding of the Sheep Committee has allowed a number of important projects to continue. LMC attended a sustainable beef eating workshop from 1st – 2nd October 2015 in Milan. The conference was organised by Agri-Food and Biosciences Institute (AFBI) in partnership with the University of Milan and highlighted the potential of science to provide solutions for

problems with beef eating quality. LMC has also assisted with the collection of data on cattle housing systems as part of an ongoing research project looking at the impact of cattle housing systems on animal welfare and performance.

Animal Health and Welfare

LMC participated in Animal Health and Welfare Stakeholder Forum meetings throughout the year. The meetings are facilitated by DARD and provide an opportunity to update industry representatives on disease trends and welfare issues. Northern Ireland's Bovine Virus Diarrhoea (BVD) voluntary eradication initiative part funded by LMC and taken forward by Animal Health and Welfare (NI) is now enshrined in legislation. LMC is represented on the BVD Eradication Programme Implementation Group.

Assisting Export Marketing

LMC owns and manages the 'Greenfields' Trademark on behalf of the industry. Greenfields is predominately used in the Netherlands by Dutch retailer Albert Heijn. This year LMC completed an options analysis on the future of the Trademark and the outworking of this will be taken forward following consideration from the LMC Board.

In order to further assist with the process of increasing market access opportunities LMC strongly proposals to take forward an application to the OIE (World Organisation for Animal Health) for Bovine Spongiform Encephalopathy (BSE) Negligible Risk Status for Northern Ireland. This would help alleviate some of the existing BSE control costs borne by the supply chain and potentially help open the door to some new market access opportunities. LMC has agreed to fund, on behalf of industry, the 9,000 Euro application fee that would be required to accompany the application to the OIE, should the DAERA Minister decide to proceed with an application.

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 the market place. 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.

Highlights of LMC's Education and Consumer Promotion activity for 2015-16 include the following:

Cookery Demonstrations

LMC's educational programme continued this year with 327 beef and lamb cookery demonstrations being conducted in Home Economics (HE) classes in secondary schools throughout Northern Ireland. LMC's panel of freelance demonstrators (currently 10 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 education and nutrition website www.food4life.org.uk which was updated, with the help of the British Nutrition Foundation (BNF), and relaunched in November 2015. The importance of looking for Northern Ireland Farm Quality Assured beef and lamb is outlined, and the role of the NIBLFQAS is explained in a meaningful way. Pupils are further enabled to make an informed choice about red meat by discussing suitable cuts, simple, fast, tasty recipes and cooking methods. LMC increased the ratio of lamb demos in schools this year to great effect.

HE Teachers Conference

LMC held a conference for 100 teachers of Home Economics in the final quarter of the reported period. Speakers from the Meat Advisory Panel, Council for the Curriculum, Examinations and Assessment (CCEA), Food Standards Agency and British Nutrition Foundation presented on subjects relevant to the NI Home Economics curriculum. The conference provided an excellent opportunity for LMC to continue and grow its relationship with HE teachers throughout Northern Ireland.

Resources

During the year LMC's traceability leaflet, outlining the importance of the NIBLFQAS, was distributed at all school demonstrations. USB sticks and pens promoting LMC's educational food4life website were provided at school demonstrations. LMC provided beef and lamb resources (recipes, traceability leaflets) to charity groups holding consumer events during this period. A new beef and lamb recipe and information booklet 'The Natural Choice' was produced during the year and distributed in the final quarter to all schools participating in the school demonstration programme.

Communication of LMC's Education and Industry Development Activities

LMC employed the services of Aiken PR to assist with the communication of LMC's wider Industry Development activities. The work during the year included beef and lamb recipe features, staff profiles, the HE Teachers conference and the launch of the revamped food4life website. An LMC twitter account was created and relevant messages are assembled and uploaded by Aiken PR to a growing list of followers.

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. Throughout the year informative messages were given to the press on issues such as coronary heart disease, diabetes, and red meat and cancer (International Agency for Research on Cancer/World Health Organization (IARC/WHO) report in November 2015). Public Health updated its nutrition platform from the Eatwell Plate to the Eatwell Guide in March – daily recommended amounts of red meat to be consumed did not change. This work with Meatmatters has allowed positive evidence based messages about red meat to reach over 42 million consumers across the UK.

Meat and Education

LMC continued to work with Agriculture and Horticulture Development Board (AHDB) through their Meat and Education campaign. This gave teachers in Northern Ireland access to more resources and information regarding beef and lamb. Through LMC's contribution to this initiative teachers can also make use of the Meat and Health and the Meat Advisory

Panel websites too so that they were able to read measured scientific information surrounding red meat. LMC will continue to work with the British Nutrition Foundation to keep education and nutrition messages in schools and to keep the Commission's websites up to date and relevant to consumers.

Stakeholder Engagement

LMC's presence at Balmoral Show 2015 gave ample opportunity for Commission members and staff to engage directly with funding stakeholders, industry bodies, government representatives, media and the general public about all things beef and lamb. Northern Ireland Farm Quality Assured beef and lamb rolls were sampled on the LMC stand. Promotional and technical resources were provided to all visitors to the stand. LMC demonstrators conducted beef and lamb sampling sessions in the main food marquee as well. LMC provided input into CCEA's new 'A' level and GCSE HE specifications. This will ensure that information about beef and lamb, provenance and traceability will be presented to pupils in a positive manner both in the specifications and exam papers. LMC hosted the BNF NI Education Working Group in December. This was an ideal opportunity to explain LMC's role in educating pupils on the merits of cooking with Northern Ireland Farm Quality Assured beef and lamb.

LMC Media Campaign-NIBLFQAS

A beef and lamb media campaign comprising television and radio advertisements, outdoor advertising and press advertising centred around the message 'The Natural Choice' and during the period evolved into 'Cook with confidence'. The whole campaign was supplemented by school cookery demonstrations and a planned communications programme in the agricultural and consumer press. Consumers were able to log on to LMC's beefandlambni.com website for recipes and consumer information. The campaign was a great opportunity to continue to build on awareness of the NIBLFQAS logo and further improve consumer confidence in choosing and cooking beef and lamb. Recognition of the logo was extremely positive and increased, especially for lamb.

Year of Food and Drink 2016

LMC participates in the Marketing and Communication sub group of the Year of Food and Drink 2016 (YOFD) steering Group. LMC has attended monthly meetings of this group to

prepare for and contribute to various initiatives designed to promote Northern Ireland's food and drink offering. Tourism NI lead the initiative. LMC has communicated the YOFD messaging across all communication platforms including internal publications, TV advertising and as part of LMC's ongoing PR activity.

Placement students

As one of the largest contributors to the Northern Ireland economy the red meat industry is dependent on a continuous supply of high calibre young people to perform a multiplicity of career disciplines within this complex and growing sector. During the year LMC provided a 12 week placement to a student from CAFRE Greenmount campus. The student worked with the Industry Development department, especially in the education section, for three days a week and with the administration department the remaining two days. The exercise worked well for both LMC and the student and recruitment took place for a year-long placement student in March.

3. Northern Ireland Beef and Lamb Farm Quality Assurance Scheme

Participation

In the 2015-16 financial year producer numbers participating in the Northern Ireland Beef and Lamb Farm Quality Assurance Scheme (NIBLFQAS) continued to increase, with an increase in scheme membership of 5.4% in comparison to the 2014-15 financial year. Whilst participation continued to increase the scheme also witnessed a number of withdrawals due to a number of businesses amalgamating. In the 2015-16 financial year there was a 15.8% decrease in NIBLFQAS applications to the scheme in comparison to the financial year end 2014-15. At the end of the 2015-16 financial year the number of farmers participating in NIBLFQAS stood at 12,355, an increase in membership of 631 or 5.4% relative to the end of the last financial year. Overall the percentage of price reported domestic prime cattle that were farm assured at time of slaughter was 99.6% at the end of the 2015-16 financial year. Steers represented the highest category for assurance proportion at 99.6% with cull cows reaching a level of 96% assurance during the year.

Certification

In the 2015-16 financial year 7,436 surveillance inspections were conducted by the Certification Body, Northern Ireland Food Chain Certification (NIFCC), which represents an average surveillance inspection interval of 18.2 months against a maximum target of 18 months. There were 644 spot-check inspections, representing 5.7% 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 NIBLFQAS Industry Board and LMC Board. By the end of the contract year 5 (31 October 2015) NIFCC were 276 inspections below target. The majority of the inspection deficit was from surveillance and spot check inspections. Initial inspections had taken priority due to the influx of producers joining NIBLFQAS as a result of an increase in membership of the Red Tractor Dairy Assurance Scheme. By 31 March 2016 this deficit was corrected.

The fifth and final year of the Certification Services contract with NIFCC expired on 31 October 2015. This contract was awarded for an initial contract period of three years with the option to extend for two additional one year periods. In April 2015 LMC undertook a public procurement process with Central Procurement Directorate (CPD) to re-tender for this contract for the provision of Certification Services to NIBLFQAS. The tender was published in the European Journal and following the robust tender evaluation process the contract was awarded once again to NIFCC on 15 June 2015.

Scheme Management

- **NIBLFQAS Board/Standard Setting Committee:** In 2015 LMC continued to facilitate meetings of the NIBLFQAS Industry Board and NIBLFQAS Standard Setting Committee (SSC) to ensure that NIBLFQAS continued to operate effectively and efficiently in line with industry needs.
- **Earned Recognition:** LMC continued to meet with DARD and Northern Ireland Environment Agency (NIEA) to explore the development of earned recognition for statutory inspections and NIBLFQAS.

- **Farming Life and Danske Bank Awards:** In October 2015, LMC sponsored the Farming Life and Danske Bank Awards for the fourth year with the award category 'NIBLFQAS Farmer of the Year'.
- **NIBLFQAS Butchers Licensing:** Over the course of 2015-16 there was a continued focus on licensing butchers to use the NIBLFQAS logo. By Q4 of 2015-16, there were 65 local butchers licensed to use the NIBLFQAS logo on farm quality assured beef and lamb. LMC took the decision in 2015 to further strengthen the NIBLFQAS Butcher Licensing Scheme. Further traceability specific to NIBLFQAS was required as part of the licensing process. In 2015 the NIBLFQAS Industry Board tasked LMC to review the current Butcher Licensing Scheme. LMC met with various butcher groups and are in the processing of reviewing the feedback with the intention to provide recommendations to the NIBLFQAS Industry Board.
- **Beef Labelling:** In November 2015 LMC took the opportunity to take part in a training day with Food Standards Agency and Environmental Health Officers (EHO's) from the district councils. This was to brief EHO's on voluntary beef labelling claims specifically "Northern Ireland Farm Quality Assured" to ensure any butchers shop/retail outlet making these claims ensure they can be verified.

NIBLFQAS Customer Relationship Management (CRM) Database Development

Throughout 2015-16, development of the NIBLFQAS CRM database continued. The NIBLFQAS CRM database has been operational for over one year. This database is key to the future development of the scheme ensuring all scheme data is secure, is captured efficiently and can be interrogated to provide useful statistics for the industry. In February 2016 LMC started working to develop Phase 2 of the project which will involve development and implementation of a document management system to store all NIBLFQAS records in electronic format as opposed to the paper copies currently in use.

Assured Food Standards

LMC continues to maintain good lines of communication with Assured Food Standards (AFS) with regards to the Red Tractor (RTA) Beef and Lamb Assurance Scheme. NIBLFQAS and RTA Beef and Lamb are considered equivalent assurance schemes therefore LMC meets with AFS

throughout the course of the year to discuss scheme developments. In August 2015 AFS published the results of its consultation on the delivery of Lifetime Assurance of beef. LMC had submitted a detailed consultation response on Lifetime Assurance to AFS on behalf of the NIBLFQAS Industry Board. AFS received over 200 responses to this consultation. Two independent consultants reviewed these and produced a report which was considered by the AFS and Beef and Lamb Sector Boards. The consensus was to move forward with Lifetime Assurance. LMC on behalf of the NIBLFQAS Industry Board has engaged with AFS Representatives and continue to state the position that whilst aspirational, there are many challenges in the practical delivery of Lifetime Assurance.

Farm Liaison

The NIBLFQAS Farm Liaison Service continued to provide valuable assistance before and after inspections to NIBLFQAS participants during the 2015-16 reporting period. The Liaison Service continued to actively call members of the NIBLFQAS 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 NIBLFQAS Helpline and referrals from the Certification Body. The NIBLFQAS Farm Liaison Officer dealt with on average 176 calls per month from and to members of the NIBLFQAS. The Farm Liaison Officer extends the Liaison Service to Livestock Markets in each of the six counties to assist NIBLFQAS members in their locality.

Scheme Funding

Funding arrangements were closely monitored during this reporting period. If throughput fees and membership fees remain static and membership continues to grow income may, in the future, not cover the total costs of running the Scheme. The NIBLFQAS Industry Board (on behalf of the LMC Board) is actively considering a range of future funding options to ensure the Scheme is sustainable in the long term.

Market Information Department Report

During the year LMC continued to deliver market information services to support the red meat industry. The Market Information Department continued in its commitment to provide timely and accurate information that informs stakeholders about market developments using a mixture of basic statistics, research and analysis which is delivered through LMC publications, the LMC website, as well as a number of events, seminars and presentations.

Beef Market Overview 2015-16

Relatively tight supplies of prime cattle and steady consumer demand for beef during the first few months of 2015-16 helped to stabilise deadweight prices for prime cattle in NI. However as the year progressed the combination of improved supplies of prime cattle and reduced consumer demand for beef increased the availability of beef on the market and deadweight prices started to come under pressure as a result making 2015-16 a difficult year for NI beef producers and processors. A notable increase in the average carcass weight of prime cattle slaughtered in NI plants will also have contributed to the increased volumes of beef available on the market and with sterling trading strongly against the euro for much of 2015 it also became difficult for NI processors to compete on export markets which further impacted the trade.

Prime cattle throughput in NI during 2015-16 totalled 315,427 head, a 2% reduction on 2014-15 levels despite the fact that 2015-16 was a 53 week financial year. This was the fifth consecutive year in which the prime cattle kill in NI recorded a decline. There was however a notable increase in the carcass weights of prime cattle slaughtered in NI plants with an average prime cattle carcass weight during 2015-16 of 342kg, a 9kg increase from an average carcass weight of 333kg during 2014-15. This increase in average carcass weight

resulted in the volume of beef from prime cattle handled by the NI processors to remain stable year on year despite the slight drop in throughput. The volume of beef sourced from prime cattle handled by NI processors during 2015-16 totalled 107,710 tonnes compared to 107,373 tonnes during 2014-15.

Cow throughput in NI remained strong during 2015-16 with a total of 90,141 cows slaughtered, a 9% increase from 2014-15 levels when 82,677 cows were killed. It should however be noted that the 2015-16 was a 53 week year while 2014-15 was a 52 week year. The average cow carcass weight recorded a slight increase to 306.6kg during 2015-16 compared to 304.2kg during the previous year. The combination of this slight increase in carcass weight, the increase in cow throughput and the extra kill week resulted in a 10% increase in the volume of cow beef handled by NI processors.

The average R3 steer price in NI during 2015-16 was 326.1p/kg, back by 16.9p/kg from 343.0p/kg during the 2014-15 period. In the second half of 2015 prime cattle prices in NI came under significant pressure in response to steady prime cattle supplies and reports of reduced consumer demand for beef. With sterling trading strongly against the euro for much of 2015 it also made accessing markets in the EU much more difficult for NI processors. Cow prices in NI also came under some pressure during 2015-16 when compared to year earlier levels although not to the same degree as prime cattle prices. The average O3 cow price in NI during 2015-16 was 238.6p/kg compared to 245.3p/kg during 2014-15.

There was a notable increase in beef sired calf registrations on NI farms during 2015-16 with a total of 358,511 beef sired calves registered. This was an 11% increase from 2014-15 levels when 323,266 beef sired calves were registered. This accounts for an additional 35,245 beef sired calves registered on NI farms year on year. This has led to an increase in the number of younger beef sired cattle on NI farms which will increase prime cattle supplies for slaughter in NI as 2016-17 progresses. Limousin continued to be the most popular beef sire used on NI farms and accounted for 31.6% of beef registrations during 2015-16. The number of dairy sired male calves registered in NI during 2015-16 remained similar to 2014-15 levels with a total of 90,242 head registered.

Imports of cattle for direct slaughter in NI during 2015-16 totalled 28,991 head, a 12% reduction from the 32,765 head imported for direct slaughter during 2014-15. Meanwhile total cattle exports for direct slaughter during 2015-16 totalled 22,716 head compared to 17,562 head during 2014-15. During 2015-16 there was a notable increase in the number of cows exported to the Republic of Ireland (ROI) for direct slaughter while the number of prime cattle exported to GB for direct slaughter was reduced from 2014-15 levels.

Total retail expenditure on beef in the UK during 2015-16 was similar to year earlier levels and totalled £2.2 billion. There was a slight increase in the average retail price of beef during 2015 to £7.86/kg while the volume of retail beef sales were back slightly from 2014 levels to total 275,420 tonnes during 2015-16.

Sheep Market Overview 2015-16

A lower than usual carryover of hoggets from 2014 into 2015 resulted in reduced hogget availability for slaughter early in 2015-16 financial year however increased lamb production on NI farms combined with reduced levels of export to ROI for direct slaughter resulted in a notable increase in lamb throughput in NI plants during 2015-16 when compared to year earlier levels. With sterling performing strongly against the euro it was difficult for NI processors to compete on EU markets which had a negative impact on deadweight lamb price, particularly during the second half of the year.

Lamb/hogget throughput in NI totalled 468,469 head during 2015-16, a 7% increase on 2014-15 levels when 437,875 lambs/hoggets were killed in NI plants. This increase in annual throughput occurred despite a tightening in the availability of hoggets early in 2015 as a result of a lower carryover of hoggets from 2014. Total ram/ewe throughput in NI plants during 2015-16 was 32,984 head, a notable decrease from the 49,460 rams/ewes killed in NI plants during 2014-15.

ROI continues to act as an important market for NI origin lambs with exports for direct slaughter during 2015-16 totalling 352,431 head, a slight decline from 2014-15 levels when 354,058 sheep were exported. Exports for direct slaughter accounted for 43% of total NI sheep output during 2015-16, a slight decline from 45% of the total output exported during 2014-15.

Increased lamb throughput in NI plants and reports of reduced consumer demand put downward pressure on deadweight lamb prices in NI during 2015-16. In addition to this the euro performed strongly against sterling for much of 2015 which made trading NI origin lamb on key EU markets very challenging for NI processors. The average R3 lamb/hogget price in NI during 2015-16 was 346.6p/kg, a notable decline from an average of 391.1p/kg during 2014-15. This decline by 44.5p/kg is the equivalent of £9.35 on a 21kg lamb.

Consumer data has indicated a slight increase in the value of UK retail lamb sales during 2015-16 to total £658 million. The average retail price of lamb also increased slightly to £8.11/kg while the volume of lamb retail sales also recorded a slight increase to total 80,970 tonnes.

Price Reporting Services

LMC continued to deliver statutory price reporting obligations for the Rural Payments Agency and 52 price reports were submitted to the European Commission during the year. The basis of this service is the provision of individual factory price reports to LMC on a weekly basis and in 2015-16, 79% of all cattle slaughterings in Northern Ireland were price reported. LMC has communicated its weekly price reports in a range of formats and publications, including the LMC Bulletin, LMC Quarterly, the LMC website and through the agricultural media.

Market Analysis and Research

The Market Information Department has continued to conduct bespoke analysis using a range of data sources in response to ongoing trends observed throughout the year. LMC has also engaged with a range of stakeholders over the course of the year and through the data request service the Market Information department has provided the NI beef and sheepmeat industries with a wide range of information including specifications, prices and supplies of cattle and sheep.

Publications

LMC continued to deliver a comprehensive range of statistical publications in 2015-16. The weekly LMC bulletin remains the primary distribution method for providing the NI beef and sheepmeat industry with impartial market information. The Bulletin is published every

Saturday in the Farming Life newspaper, on the LMC website and is distributed to email subscribers. The information and reports contained within the Bulletin are constantly being reviewed to ensure it continues to meet industry needs.

The Bulletin is complemented by LMC Quarterly publication which gives the deeper analysis of strategic issues. This is distributed via post to LMC stakeholders and hosted on the LMC website. Topics covered in this year's editions included costs of production for suckler origin beef, analysis of EU beef production forecasts and an update of issues affecting the NI sheep sector.

The text message service is an increasingly popular and effective vehicle for provision of weekly market information to producers. There are now over 7,000 subscribers to the LMC text messaging service. LMC continues to provide daily price updates on the LMC answerphone service and to BBC Radio Ulster.

LMC also introduced a range of new monthly reports for publication on the website during the year. This includes a report on the number of cattle available for production on NI farms, an update on calf registrations and a monthly snapshot of the beef and lamb market in Northern Ireland.

Export Development

LMC continued to support the work of the UK Export Certification Partnership (UKECP) this year. The weakness of available markets in Europe made export development and market access issues an even higher priority in 2015-16. Whilst there are now over 60 third countries available to UK beef and lamb exporters outside the European Union the opportunities in many of these countries are limited due to weak economies and currencies, religious slaughter requirements and competition from cheaper alternative sources of protein. During 2015-16 LMC worked closely in partnership with other UK Levy Bodies and Government Departments to try and progress access to priority markets where there are tangible ongoing opportunities including the USA, China, Japan and the Philippines. Some good steps forward have been made with the completion of technical questionnaires, pre-audit inspections, site approval visits, regular communications with and visits to third countries (including high level Ministerial and industry delegations), the appointment of a

dedicated agriculture counsellor in the UK Embassy in Beijing China and industry engagement with potential customers in these countries, but progress can only be made as quickly as the third country authorities and politics allow. LMC will continue to prioritise this important work area in 2016-17.

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

Ian Stevenson
Accounting Officer

17 August 2016

Accountability Report

Corporate Governance Report

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 2016 there are six members on the Commission (“the Board”). Board appointments and committee membership are set out below:

Name	Date appointed	Date term expires/expired	Committee Membership
Gerard McGivern	06 Nov 2015	05 Nov 2018	Chairman Remuneration (Chair)
Patrick McElroy	01 Feb 2014	31 Jan 2017	Audit and Risk Assurance (Chair)
Harry Sinclair	01 Jul 2015	30 Jun 2018	Audit and Risk Assurance
Oonagh Chesney	01 Jul 2015	30 Jun 2018	Audit and Risk Assurance Remuneration
Jim Lennon	01 Jul 2015	30 Jun 2018	Audit and Risk Assurance
Gerry Maguire	22 Oct 2015	21 Oct 2018	Remuneration
Former Members			
Pat O’Rourke	07 May 2009	05 Nov 2015	Chairman Remuneration (Chair)
Ian Mark	01 Jan 2012	30 Jun 2015	Audit and Risk Assurance
Mary McCormack	01 Jan 2009	30 Jun 2015	Audit and Risk Assurance
Phelim O’Neill	01 Jan 2009	30 Jun 2015	Audit and Risk Assurance Remuneration
Kenneth Sharkey	01 Jan 2009	30 Jun 2015	Remuneration

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.

Gerard McGivern (Chairman)

Mr. Gerard McGivern has served as the Chairman of LMC since 06 Nov 2015. Mr McGivern is a Fellow of the Chartered Institute of Marketing and a Fellow of the Institute of Economic Development. He has been involved at a senior level in a number of district councils in various marketing roles including leading the formulation and delivery of the Mourne Mountains and Ring of Gullion Tourism Marketing Brand. He was also the founding Manager of Banbridge District Enterprises Ltd and has been involved in cross border initiatives.

Patrick McElroy

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

Harry Sinclair

Mr. Harry Sinclair was appointed to the LMC Board in July 2015. Mr Sinclair is a suckler cow, beef and sheep farmer producing Aberdeen Angus beef for premium markets and lamb for the UK markets. As a past President of the Ulster Farmers Union (UFU), he has extensive experience of advocacy on behalf of the farming community. He has served as Chairman of the UFU's Hill Farming and Beef and Lamb Committees and is a founder member of the

Farm Safety Partnership. He has served as Vice-President of the Committee of Professional Agricultural Organisations (“COPA”) and has represented the UK on the EU Commission’s Sheep and Beef Advisory Committees. He has also served as Chairman of AgriSearch’s Beef Committee and as a producer representative on the Red Meat Taskforce. He brings significant experience of working on policy committees to the Board of the LMC. Mr Sinclair is Chairman of NIFCC and also a board member of Health and Safety Executive for Northern Ireland (HSENI).

Oonagh Chesney

Ms. Oonagh Chesney was appointed to the LMC Board in July 2015. Ms Chesney is Company Secretary for Fane Valley Co-op Society Ltd and its group subsidiary companies including Linden Foods Ltd. She has an active role in the family beef farming business. She has represented Fane Valley on a number of bodies including the Area Based Strategy Action Group and cross community programmes in Armagh. She combines marketing experience with a good understanding of the challenges facing the LMC and will bring her experience of red meat production and processing to the Board of the LMC. Mrs Chesney holds no other public appointments.

Jim Lennon

Mr. Jim Lennon was appointed to the LMC Board in July 2015. Mr Lennon is a beef farmer specialising in the production of Aberdeen Angus cattle. He is also involved in the Derrynoose Farming Community Group which promotes investment and training in livestock production. He has significant wider senior public sector experience shown in both his current role as Head of Corporate Service for Middletown Centre for Autism and various senior roles in the National Health Service. He has also been involved in local economic and social regeneration matters. He is Chair of the Blood Transfusion Service. He has held this role from August 2007 and the current term of appointment ends in July 2016.

Gerry Maguire

Mr. Gerry Maguire was appointed to the LMC Board in October 2015. Mr Maguire has 37 years experience in the Red Meat processing industry. He is currently Managing Director of Linden Foods. He is directly responsible for the Linden Foods Group which has an annual turnover of £400million. He is also Director of Slaney Foods and has previously served three years on Bord Bia's Meat and Livestock Board.

Former Members

Patrick O'Rourke (Chairman)

Mr Patrick O'Rourke served as the Chairman of LMC from 7 May 2009 to 05 Nov 2015. He has held the position of Chair in a number of organisations and has 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 the Managing Director of Lean and Easy from 1995 to 2010 and is currently a self-employed beef and sheep farmer. He has also served as Chairman of the Ulster Farmers' Union Cattle and Sheep Committee and CAAN Activity Tourism Working Group and a Board member of Causeway Coast & Glens Tourism Partnership. He served on the LMC Board from 1997 to 2002 as a producer representative.

Mary McCormack

Mrs Mary McCormack runs a mixed hill farm with dairy, suckler and beef enterprises. She is also Farm Liaison Officer with Camowen Partnership Carrickmore, and Vice-Chair of the NI Agricultural Consultants Association. She also served on the AgriSearch Board of Trustees for 6 years and a number of other local committees.

Phelim O'Neill

Mr Phelim O'Neill has held various roles in the red meat industry and is currently working for the Irish Farmers Journal as Markets Specialist reporting on key developments in beef and lamb markets at home and abroad.

Kenneth Sharkey

Mr Kenneth Sharkey is a progressive beef and sheep farmer and ex-President of the Ulster Farmers' Union. He has served as a director of Countryside Services, Glenfarm Holdings and the NFU Mutual.

Pension Liabilities

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

Auditors

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

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

The audit of the financial statements for 2015-16 resulted in an audit fee of £10,000 and this is included in the other operating charges in the Statement of Comprehensive Net Expenditure. The C&AG did not provide any non-audit services during the year.

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.

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, the Accounting Officer is required to comply with the requirements of the Government Financial Reporting Manual and in particular 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; and
- Prepare the financial statements on the "going concern" basis, unless it is inappropriate to presume that the entity will continue in operation.

The Accounting Officer of DARD has designated the LMC Chief Executive as the LMC Accounting Officer. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances, for the keeping of proper records and for safeguarding the LMC's assets, are set out in Managing Public Money NI, 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 2015-16

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 Managing Public Money NI, 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 and updated every six months by DARD with any revisions being brought to the attention of 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 Business Plan is formed from the first 12 months of the Strategic Plan and includes key targets and milestones. Financial budgets are produced annually for the forthcoming 12-month period. The draft LMC Strategic Plan for 2016-19 and LMC Business Plan and Budget for 2016-17 were considered by the joint DARD/LMC Board meeting on 17 February 2016 and have been finalised as far as is possible within LMC and DARD. Once a new Minister at DAERA is in place these will be submitted to the Minister for final approval and will be published on the LMC website after this final approval is obtained. For purposes of the reporting period in this annual report the 2015-2018 LMC Strategic Plan, 2015-16 LMC Business Plan and Budget were approved by DARD in April 2015.

The governance framework has been in place at LMC for the year ended 31 March 2016 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 2015-16 at Board and Audit and Risk Assurance Committee (ARAC) meetings where applicable:

Table 1

NAME	BOARD MEETING	ARAC
Gerard McGivern Appointed 6/11/2015	5/5	-
Patrick McElroy Appointed 1/2/2014	10/11	4/4
Harry Sinclair Appointed 1/7/2015	8/8	3/3
Oonagh Chesney Appointed 1/7/2015	8/8	3/3
Jim Lennon Appointed 1/7/2015	8/8	2/3
Gerry Maguire Appointed 22/10/2015	5/6	-
FORMER MEMBERS		
Patrick O'Rourke Term expired 5/11/2015	6/6	-
Ian Mark Term expired 30/6/2015	3/3	1/1
Mary McCormack Term expired 30/6/2015	2/3	1/1
Phelim O'Neill Term expired 30/6/2015	2/3	1/1
Kenneth Sharkey Term expired 30/6/2015	2/3	-

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

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

In March 2016 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 Board has developed a clear mission, vision and strategic priorities;
- The quality and frequency of the financial, performance and other management information provided to Board members;

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

The results of the self-assessment were discussed at the March 2016 Board meeting, and the overall results of the checklist are shown in Table 2. In comparison to the previous year's assessment there is a 16% increase in the figures for Exceeded Expectation.

Table 2

Exceeded expectation	Met expectations	Partially met expectations	Did not meet expectations
43%	49%	8%	0%

Action points from the self-assessment exercise include:

- Invitation to be extended to DAERA's new Deputy Secretary Food and Farming Group to meet with the Board.
- Board wish to be more accessible, including more regular meetings with stakeholders and opportunities to meet with LMC staff.
- Board member training should be refreshed every three years.

Committees of the Board

The Board has established and delegated powers to an Audit and Risk Assurance Committee and a Remuneration Committee. The Remuneration Committee is appointed and operated as a committee of the LMC Board. This committee meets periodically to discuss remuneration matters, as required by the LMC Board. It is chaired by the LMC Chairman and has two further appointed members from the LMC Board, currently Ms. Oonagh Chesney and Mr. Gerry Maguire.

Audit and Risk Assurance Committee (ARAC)

The Audit and Risk Assurance Committee supports the Board in their responsibilities for issues of risk, control and governance, by reviewing the comprehensiveness of assurances in meeting the Board and Accounting Officer's assurance needs, and reviewing the reliability and integrity of these assurances. The ARAC's Terms of Reference were updated as required during the year.

Mr Patrick McElroy has been Committee Chair since February 2014. A detail of attendance by Committee members is given above in Table 1. The Committee is attended also by the Northern Ireland Audit Office (NIAO) as external auditor, representatives of Internal Audit (DARD IA), representatives of the sponsor body (DARD), and senior members of LMC staff. It is established practice of the ARAC for members to meet with external audit and internal audit at the beginning of each meeting without LMC staff present.

The Audit and Risk Assurance Committee advises the Board and Accounting Officer on:

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

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

The Audit and Risk Assurance Committee met formally 4 times during the 2015-16 financial year, and reported to the Board after each meeting. It also provides the Board and Accounting Officer with an Annual Statement, summarising its conclusions from the work it has done during the year. Highlights from the report include:

- This year saw three of the four Committee members change as the Board membership was refreshed in July. The Chairman thanked Mrs Mary McCormack, Mr Ian Mark and Mr Phelim O'Neill for their service and welcomed Mrs Oonagh Chesney, Mr Jim Lennon and Mr Harry Sinclair to the Committee.
- The focus of the Committee during the year was on assuring the integrity of narrative and financial reporting, risk management and internal control.
- A number of policies were reviewed and updated throughout the year and these were duly approved by the Board.
- The Final Internal Audit report for the 2014-15 year was issued on 08 April 2015. An overall opinion of "satisfactory" was recorded and this was noted by the Committee at the May 2015 meeting.
- The C&AG certified the Annual Report and Accounts 2014-15 on 25 June 2015 and these were laid before the NI Assembly on 03 July 2015.
- The Risk Register was reviewed at 6 monthly intervals and it was noted that the risk relating to Board succession continued to be considered "High". Whilst 4 new Board members and a Chairman with suitable skills and experience were successfully recruited during the financial year 2015-16 Board succession remains a high risk when their initial terms of 3 year appointments all end in the financial year 2018-19. Concern of the Committee was conveyed to the Sponsor Branch representative in

the May 2015 meeting. The Board's concerns were also discussed with the DARD Departmental Board at the annual meeting in February 2016.

- At the October meeting the ARAC considered and approved the Terms of Reference of Internal Audit for 2015-16.
- At the February 2016 meeting it was noted that the Final Internal Audit report 2015-16 had been issued on 28th January with a "satisfactory" opinion with no Category 1 findings.
- The audit strategy for External Audit was presented and approved in the February 2016 meeting.

In summation the Chairman states "The Committee is satisfied that the LMC as a whole is aware of the importance of risk management and that the Corporate Risk Register is an effective reflection of the risks facing the organisation. The finance management and accounting systems are in full compliance with the Government Financial Reporting Manual. The accounts and Annual Report have been subject to robust review by the Accounting Officer and the Board."

Account of Corporate Governance

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

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within LMC who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their Report to those charged with Governance.

The Internal Audit Branch of DARD (IA) gave an overall "Satisfactory" assurance, in its 2015-16 annual report and opinion of the Livestock and Meat Commission for Northern Ireland, that LMC's internal control framework and risk management and governance processes are effective and that they enable achievement of the Commission's objectives.

IA noted the following processes were in place:

- Both the Strategic Plan and Business Plan clearly set out the strategic and business objectives of LMC and are reviewed on a regular basis.
- Business monitoring report is produced on a quarterly basis providing updates against each of the strategic and business objectives.
- LMC has a detailed Risk Management Strategy. The current Risk Management Strategy sets out the Organisation's approach to risk and the risk management process adopted by LMC.
- LMC produces regular Assurance Statements, completed by the Chief Executive, which confirm that assurance can be given over the adequacy and effectiveness of the internal control systems in place for the key areas such as risk management, business planning, financial planning and monitoring, procurement and data management.
- The Complaints Procedure and Complaints Handling Guide for Staff, plus the Whistleblowing Policy are in compliance with current NICS/DARD/DAO guidance.
- There are satisfactory budgetary management processes in place within LMC. The Commission operates within a balanced annual budget which is subject to regular monitoring and reporting.
- LMC has developed a detailed Business Continuity Plan which will allow the business of the Commission to continue in the event of unforeseen circumstances or an emergency arising.

Recommendations to be addressed include:

- LMC should assess, and provide a definition of, their risk appetite which clearly reflects the organisation's approach and response to risk.
- The roles and responsibilities of those involved in the ownership and management of risk should be clearly defined.
- Management should consider linking each key risk to the organisation's objectives to show which objectives may be affected should certain risks be realised.
- The current strategic and business plans should be published on the LMC website.

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. No Conflicts of Interest were reported in 2015-16.

Account of assurances and evidence

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

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

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

LMC's performance in helping to deliver DARD policies, including the achievement of key objectives, is reported to DARD on a quarterly basis. In line with DARD's Arms Length Bodies Sponsorship Manual quarterly Accountability meetings take place between the Director of DARD's Food, Farm and Rural Policy Division and the LMC Accounting Officer. Following these meetings signed Assurance Statements are forwarded by the LMC Accounting Officer to the Sponsor Branch for review and consideration of any follow-up action. The Minister or his/her nominated representative meets the Board formally as appropriate 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 2015-16. A direction letter was received from DARD on 25 March 2016 for LMC to provide a Cattle Deadweight Price Reporting Service in Northern Ireland from 1 April 2016 on behalf of DARD.

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

Internal Audit

The Internal Audit Branch Annual Report and Opinion 2015-16 on the LMC provided an overall satisfactory opinion. The opinion was derived from an annual review which included Corporate Governance, Financial Management, Business Continuity and the implementation of previously agreed Internal Audit recommendations.

External Audit

The Comptroller and Auditor General (C&AG) audits and certifies LMC's annual accounts, after which LMC gains ministerial approval to lay them before the Northern Ireland Assembly. The C&AG certified the 2014-15 financial statements with an unqualified audit opinion, without modification.

Sponsorship Risk Assessment

In February 2015 the DARD Permanent Secretary and Accounting Officer advised LMC on the outcome of a detailed Risk Assessment on the LMC completed by DARD officials. The purpose of the Assessment was to inform DARD of the overall governance and accountability arrangements in place in the LMC and was carried out in line with the guidance set out in the DARD Sponsorship Manual. The Assessment Team considered how well the LMC is performing across a range of corporate governance areas based on available evidence and judged that the overall risk rating for the LMC should be classified as Low. Sponsor Branch has documented progress made by LMC and DARD on implementation of minor improvement actions which were identified in the Sponsorship Risk Assessment. 4 of the 6 issues have been actioned and satisfactorily completed and the remaining two issues identified for minor improvement actions, namely: Independent Verification of Performance against Targets and Objectives and Assessment of Board Performance, are on target for completion.

Quality of information

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

The Risk and Control Framework

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

aims and objectives, to evaluate the likelihood and potential impact of those risks being realised, and to manage them efficiently, effectively and economically.

Risk Management

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

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

Risk Appetite


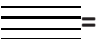

All activities that we undertake must be consistent with our organisational values and mission. We will not accept risks that materially impair the reputation of LMC or its sponsor department, Department of Agriculture and Rural Development. However, we value innovation and the implementation of new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

Risk Register

The Corporate Risk Register was reviewed by the Audit and Risk Assurance Committee in December 2015 and was subsequently approved by the Board. Risk issues and their management are routinely discussed at each Senior Management Team meeting. During 2015-16, 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 Information loss and security.
- 4 Inadequate staff resources.
- 5 Absence of succession planning for membership of the Board.
- 6 Recruitment process may not yield a Board that has support of all stakeholders.

Figure 1 LMC Risk Profile

Likelihood	High	6	2, 5	
	Medium		1, 4	
	Low			3
		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 this issue was raised at the Joint Departmental/LMC Board meeting in February 2016.

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 2015-16 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.

The IT Security Policy was reviewed and approved by the Board in October 2015 and staff undertook training on the IT policies in November 2015.

There were no records of any data related incidents that would constitute protective security breaches, in the financial year 2015-16.

Significant Governance Issues

There are no significant governance issues to report in the 2015-16 Governance Statement.

Conclusion

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

Remuneration and Staff 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. In April 2016 DFP approved a business case for the recalibration of LMC salaries from 1 April 2015 following the strategic review and reorganisation of LMC.

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.

	2015-16				2014/2015			
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 G McGivern Chairman (from 7 Nov 2015)	5-10 (full year equivalent 15-20)	-	-	5-10	-	-	-	-
Mr P McElroy Board Member	5-10	-	-	5-10	5-10	-	-	5-10
Mrs O Chesney Board Member (from 1 July 2015)	5-10 (full year equivalent 5-10)	-	-	5-10	-	-	-	-
Mr J Lennon Board Member (from 1 July 2015)	5-10 (full year equivalent 5-10)	-	-	5-10	-	-	-	-
Mr H Sinclair Board Member (from 1 July 2015)	5-10 (full year equivalent 5-10)	-	-	5-10	-	-	-	-
Mr G Maguire Board Member (from 22 October 2015)	0-5 (full year equivalent 5-10)	-	-	0-5	-	-	-	-
Mr I Stevenson Chief Executive	50-55	-	17	65-70	50-55	-	13	60-65
Mr P O'Rourke Chairman (until 6 Nov 2015)	10-15 (full year equivalent 15-20)	-	-	10-15	20-25	-	-	20-25
Mr P O'Neill Board Member	0-5 (full year)	-	-	0-5	5-10	-	-	5-10

(until 30 June 2015)	equivalent 5-10)							
Mrs M McCormack Board Member (until 30 June 2015)	0-5 (full year equivalent 5-10)	-	-	0-5	5-10	-	-	5-10
Mr K Sharkey Board Member (until 30 June 2015)	0-5 (full year equivalent 5-10)	-	-	0-5	5-10	-	-	5-10
Mr I Mark Board Member (until 30 June 2015)	0-5 (full year equivalent 5-10)	-	-	0-5	5-10	-	-	5-10

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 2015-16 was £51,515 (2014-2015: £51,515). This was 3.51 times (2014-15: 3.11 times) the median remuneration of the workforce, which was £14,689 (2014-2015: £16,550).

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 31/3/16 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/3/16	CETV at 31/3/15	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Mr I Stevenson Chief Executive	5-10 plus lump sum 0-5	0-5 plus lump sum of 0-2.5	65	53	12	-

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.

Staff Report

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, innovation and motivation 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. During the course of the financial year we had a number of staff changes with some leaving the organisation to pursue new career and personal opportunities and I would like to thank them for their contribution to LMC. 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 at 31 March 2016		
Level	Total Number	Male: Female Ratio
Directors/Board Members	6	5:1
Senior Managers (SCS level equivalent)	0	0:0
Employees (permanent)*	16	5:11
Employees (temporary)	1	1:0

*1 unfilled permanent vacancy as at 31 March 2016

Staff Costs

Staff costs are captured in the table below:

	Permanently employed staff	Others	Commission members	2015-16	2014-15
	£	£	£	£	£
Wages and salaries	363,938	12,447	50,209	426,594	430,040
Social security costs	22,534	91	2,910	25,535	27,092
Pension costs – defined benefit plans	57,811	-	-	57,811	25,596
	444,283	12,538	53,119	509,940	482,728

Staff Absence

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

	2015-16	2014-15
Percentage days lost through sickness absence	1.36%	1.69%
Cost of absence	£6,965	£7,830
Percentage of annual staff costs	1.36%	1.62%

LMC's absence level is well below current levels associated with the Northern Ireland economy of 3.1% (XpertHR sickness absence rates survey 2015).

Equality and Good Relations

LMC remains fully committed to effectively fulfilling our Section 75 statutory duties across all of our functions through the effective implementation of our Equality Scheme. Our current Equality Scheme was approved by the Equality Commission in February 2013. LMC submitted its annual report to the Equality Commission in August 2015 to report on progress on implementing our responsibilities under:

- Section 75 of the NI Act 1998 and
- Section 49A of the Disability Discrimination Order (DDO) 2006.

In our progress report we reported on our implementation of the 13 action measures in our audit of inequalities action plan. Promoting Equality of Opportunity and Good Relations is important to LMC and we will continue to take forward the action measures aimed at improving outcomes in these areas as we develop and deliver our various programmes of activities in support of our Strategic Objectives. LMC also reviewed its Disability Action Plan in 2014 and we remain committed to ensuring that our services are readily available to, and have the opportunity to be accessed by, all of our stakeholders. All staff in LMC received

training in Disability Equality from Action on Hearing Loss in February 2016 and staff involved in recruitment received refresher training in recruiting fairly.

Staff Policies

LMC has a range of policies that are subject to regular review in line with best practice and statutory obligations. Staff are trained on any policies that are updated or introduced, and are given copies of each policy as part of their Staff Handbook. In line with our Equality commitments policies are subject to consultation if required.

Off Payroll Engagements

There were no off payroll engagements during the period 2015-16.

Consultancy

There was no expenditure on consultancy services during the period 2015-16.

Exit Packages and Compensation for Loss of Office

There were no exit packages or compensation for loss of office during the period 2015-16.

Assembly Accountability and Audit Report

Regularity of Expenditure

There were no special payments or losses made by LMC in 2015-16.

Fees and Charges

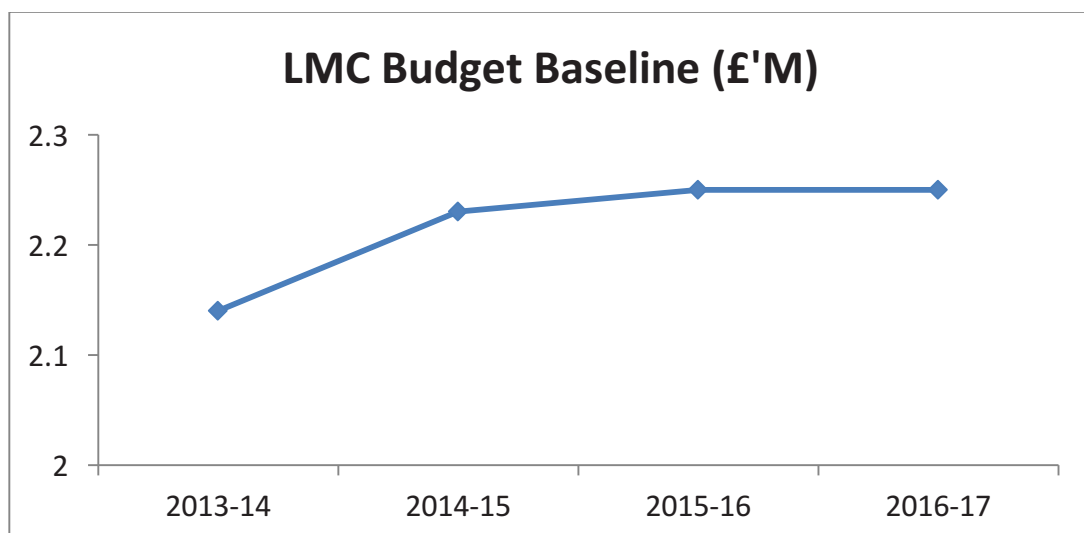
LMC carries out statutory services to assist the development of the livestock and livestock products industries as set out in the Livestock Marketing commission Act (Northern Ireland) 1967. LMC collects statutory levies from beef and sheep producers and slaughterers in Northern Ireland and in return provides a range of services to the industry. The DARD Minister approved the 2015-16 annual business plan which aimed to achieve a balanced outturn.

Remote Contingent Liabilities

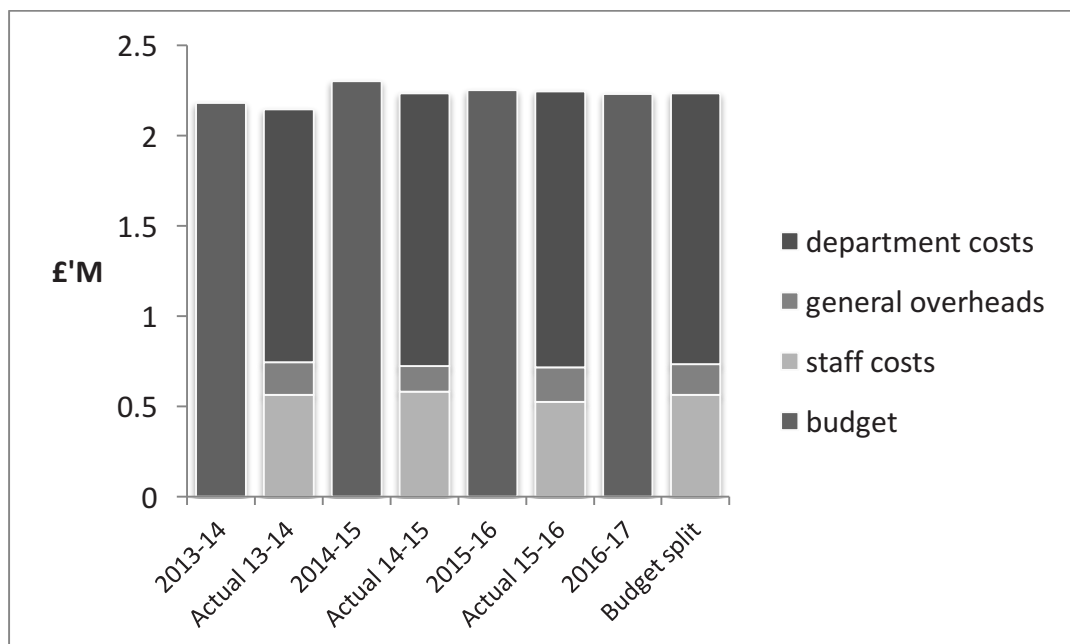
LMC has no remote contingent liabilities to report at 31 March 2016.

Long-term Expenditure Trends

The chart below captures the long-term summary expenditure profile of the LMC budget over the period 2013-14 to 2016-17.



The chart below shows the LMC budget split by major expense heading for the period 2013-14 to 2016-17.



Ian Stevenson.

Ian Stevenson
Accounting Officer

17 August 2016

Livestock and Meat Commission

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 2016 under the Livestock Marketing Commission Act (Northern Ireland) 1967. The financial statements comprise: the Statements of Comprehensive Net Expenditure, the Financial Position, Cash Flows, Changes in Taxpayers' Equity, and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration and Staff Report and the Assembly Accountability Report that is described in that report as having been audited.

Respective responsibilities of the Chief Executive and auditor

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

Scope of the audit of the financial statements

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

In addition, 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 the Commission's affairs as at 31 March 2016 and of the net expenditure, cash flows and changes in taxpayers' equity for the year then ended; and

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

Opinion on other matters

In my opinion:

the parts of the Remuneration and Staff Report and the Assembly Accountability Report to be audited have been properly prepared in accordance with Department of Agriculture and Rural Development directions made under the Livestock Marketing Commission Act (Northern Ireland) 1967; and

the information given in the Performance Report and Accountability Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

I have nothing to report in respect of the following matters which I report to you if, in my opinion: adequate accounting records have not been kept; or the financial statements and the parts of the Remuneration and Staff Report and the Assembly Accountability and Audit 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's guidance.

Report

I have no observations to make on these financial statements.



KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 1EU

24 August 2016

Financial Statements

Statement of Comprehensive Net Expenditure for the year ended 31 March 2016

	Note	2016 £	2015 £
Expenditure			
Staff and related costs	3	509,940	482,728
Depreciation (net of deferred grant release)		30,965	26,677
Other operating charges	4	1,765,212	1,700,611
		2,306,117	2,210,016
Income - continuing operations			
Income from activities	2	2,237,510	2,212,598
Net (expenditure)/income	2	(68,607)	2,582
Finance income	5	10,652	17,563
Net (expenditure)/income before income tax		(57,955)	20,145
Income tax charge	6	4,368	6,006
Net (expenditure)/income after tax	7	(62,323)	14,139
Other comprehensive net income/(expenditure)			
Items that will not be reclassified to net operating costs:			
Actuarial gain/(loss) on retirement benefits obligations	16	472,000	(94,000)
Net gain on revaluation of property, plant and equipment	8	-	1,137
		472,000	(92,863)
Total comprehensive net income/(expenditure)			
for the year ended 31 March 2016		409,677	(78,724)

The notes on pages 77 to 99 form part of these financial statements.

Statement of Financial Position as at 31 March 2016

	Note	2016 £	2015 £
Assets			
Non-current assets			
Property, plant and equipment	8	881,790	893,001
Total non-current assets		881,790	893,001
Current assets			
Trade and other receivables	9	321,523	329,167
Cash and cash equivalents	10	3,292,198	1,530,109
Short term bank deposits	11	-	1,707,759
Total current assets		3,613,721	3,567,035
Total assets		4,495,511	4,460,036
Current liabilities			
Trade and other payables	12	421,764	351,584
Income tax liabilities		4,368	5,739
Total current liabilities		426,132	357,323
Non-current assets plus net current assets		4,069,379	4,102,713
Non-current liabilities			
Pension liabilities	16	187,000	637,000
Total non-current liabilities		187,000	637,000
Total assets less liabilities		3,882,379	3,465,713
Taxpayers' Equity and Other Reserves			
Income and expenditure account		3,691,148	3,223,864
Revaluation reserve		1,137	1,137
Designated reserves		190,094	240,712
		3,882,379	3,465,713

The financial statements on pages 73 to 99 were authorised for issue by the Board on and were signed on its behalf by:



Ian Stevenson
Accounting Officer
17 August 2016

The notes on pages 77 to 99 form part of these financial statements.

Statement of Cash Flows for the year ended 31 March 2016

	Note	2016 £	2015 £
Cash flows from operating activities			
Net (expenditure)/income before income tax		(57,955)	20,145
Adjustments for:			
Depreciation of property, plant and equipment		30,965	26,677
Movement in trade and other receivables		7,644	17,141
Actuarial gain/(loss) recognised		472,000	(94,000)
Movement in trade and other payables		70,180	(96,661)
Movement in pension liabilities		(450,000)	42,000
Notional charges		6,989	4,201
Profit on disposal of property, plant and equipment		-	-
Income tax paid		(5,739)	(19,754)
Net cash used in operating activities		74,084	(100,251)
Cash flows from investing activities			
Purchases of property, plant and equipment		(19,754)	(9,531)
Proceeds from sale of property, plant and equipment		-	-
Movement in short-term deposits		1,707,759	(21,916)
Net cash used in investing activities		1,688,005	(31,447)
Movement in cash and cash equivalents		1,762,089	(131,698)
Cash and cash equivalents at the beginning of the year	10	1,530,109	1,661,807
Cash and cash equivalents at the end of the year	10	3,292,198	1,530,109

The notes on pages 77 to 99 form part of these financial statements.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2016

	Designated reserves	Total	Revaluation	Income and
	Farm quality assurance scheme	designated reserves	Reserve	expenditure account
	£	£	£	£
Balance at 1 April 2014	240,922	240,922	-	3,299,314
Net income after tax				14,139
Other notional charges				4,201
Other comprehensive net income			1,137	(94,000)
Transfer from unrealised revaluation reserve to income and expenditure account				-
Transferred from other designated reserves	(210)	(210)		210
Balance at 31 March 2015	240,712	240,712	1,137	3,223,864
Net expenditure after tax				(62,323)
Other notional charges				6,989
Other comprehensive net income				472,000
Transfer from unrealised revaluation reserve to income and expenditure account				-
Transferred from other designated reserves	(50,618)	(50,618)		50,618
Balance at 31 March 2016	190,094	190,094	1,137	3,691,148

The notes on pages 77 to 99 form part of these financial statements.

Notes to the financial statements for the year ended 31 March 2016

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

General information

The entity's principal activities during the year are detailed on pages 19 to 36. 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 2015-16 Government Financial Reporting Manual (FReM) issued by DFP Northern Ireland. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the entity for the purpose of giving a true and fair view has been selected. The particular policies adopted by the entity for the reportable activity are described below. They have been applied consistently in dealing with items that are considered material to the accounts. These accounts have been prepared on the going concern basis, under the historical cost convention modified to account for the revaluation of assets and liabilities to fair value as determined by the relevant accounting standards. This treatment is felt to be appropriate by the Board due to the DARD Minister's decision to retain LMC as an NDPB.

Notes to the financial statements for the year ended 31 March 2016

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

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

Notes to the financial statements for the year ended 31 March 2016

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

Amendments to the following current accounting standards will be applicable for periods commencing on or after 1 January 2016 arising from the IASB's December 2013 Annual Improvements process to IFRS's 2012-2014 cycle: IFRS5, IFRS7, IAS19 and IAS34.

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

Income

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

Segment reporting

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

Property, plant and equipment

In line with the LMC policy to have quinquennial valuations of land and buildings, the freehold property was valued externally on 31 March 2015 at existing use value by Land and Property Services. In intervening years these valuations are subject to annual indexation using relative

Notes to the financial statements for the year ended 31 March 2016

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

price indices. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment, with the exception of freehold property, is stated at cost less depreciation and accumulated impairment losses due to the short life and low value of the individual assets. The initial cost of an asset comprises cost plus any costs directly attributable to bringing the asset into operation and an estimate of any decommissioning costs.

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

Land	-	NIL
Buildings	-	34 years
Office furniture, fixtures and fittings, computers	-	5 years

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.

Notes to the financial statements for the year ended 31 March 2016

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

Impairment of non-financial assets

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

Loans and receivables (financial instruments)

a) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade and other receivables is established when there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of the receivables.

Notes to the financial statements for the year ended 31 March 2016

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

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.

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.

Notes to the financial statements for the year ended 31 March 2016

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

Income tax

Current income tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the 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.

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.

Notes to the financial statements for the year ended 31 March 2016

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

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

Designated reserves

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

Financial risk factors

(a) Market risk

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

Notes to the financial statements for the year ended 31 March 2016

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

(b) Credit risk

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

(c) Liquidity risk

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

Capital risk management

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

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.

Notes to the financial statements for the year ended 31 March 2016

2 Income and expenditure by activity

	Income from activities £	Expenditure £	Operating deficit 2016 £	Total 2015 £
Levy and other income	1,054,196	1,075,018	(20,822)	492
Rural payments agency	60,597	57,167	3,430	3,424
NIBLFQAS income	1,122,717	1,173,932	(51,215)	(1,334)
Total	2,237,510	2,306,117	(68,607)	2,582

3 Staff numbers and related costs

	Permanently employed staff £	Others £	Commission members £	2016 £	2015 £
Wages and salaries	363,938	12,447	50,209	426,594	430,040
Social security costs	22,534	91	2,910	25,535	27,092
Pension costs – defined benefit plans	57,811	-	-	57,811	25,596
	444,283	12,538	53,119	509,940	482,728

Included in the above costs is £58,000 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
Administration (including levy collection)	16	1	-	17	19
	16	1	6	23	25

Notes to the financial statements for the year ended 31 March 2016

4 Other operating charges

	2016 £	2015 £
Information services	17,472	14,617
Market development and advertising	1,513,646	1,493,985
Administration costs:		
Actuarial costs of pension scheme	19,000	23,000
Office expenses	197,344	147,665
Aggregate travelling and subsistence	17,750	21,344
	1,765,212	1,700,611

Office expenses include:

	2016 £	2015 £
Notional charges	6,989	4,201
Auditors' remuneration - for external audit	10,000	10,000

5 Finance income and costs

	2016 £	2015 £
Interest income:		
Short-term bank deposits	10,652	17,563
Finance costs - net	10,652	17,563

Short-term bank deposits

Short-term bank deposits earned interest at a rate of 0.52% over the financial year.

6 Income tax charge

	2016 £	2015 £
Current income tax:		
Current UK corporation tax at 20% (2015: 20%)	4,368	5,739
Additional UK corporation tax for previous year(s) as agreed with HMRC	-	267
Income tax charge	4,368	6,006

Notes to the financial statements for the year ended 31 March 2016

6 Income tax charge (continued)

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% (2015: 20%). The differences are reconciled below:

	2016 £	2015 £
(Deficit)/surplus before income tax	(57,955)	20,145
Tax calculated at the UK small companies rate of corporation tax of 20% (2015: 20%)	(11,591)	4,029
Effect of:		
Deficit not taxable	15,959	1,710
Income tax charge	4,368	5,739

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 2016

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, NIBLFQAS and agency services.

The segment information provided to the Board for the reportable segments for the year ended 31 March 2016 is as follows:

	Levy Funded Activities	NIBLFQAS	Rural Payments Agency	Other	Total
	£	£	£	£	£
Income from external parties	985,062	1,122,717	60,597	69,134	2,237,510
Interest Received	9,906	746	-	-	10,652
Expenditure (excluding notional costs)	976,895	1,173,932	57,167	69,134	2,277,128
Operating deficit before tax	18,073	(50,469)	3,430	-	(28,966)
Income tax expense	(4,219)	(149)	-	-	(4,368)
Deficit before notional costs and after tax	13,854	(50,618)	3,430	-	(33,334)
Adjustments in respect of notional costs:					
Internal audit					(6,989)
Actuarial costs of pension scheme					(22,000)
Total deficit reported for year					(62,323)
Total assets less liabilities	2,223,016	190,094	1,469,269	-	3,882,379
Depreciation	13,938	9,199	2,828	5,000	30,965

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 2016

8 Property, plant and equipment

	Freehold Land £	Property Buildings £	Exhibition equipment, fixtures, fittings and office furniture £	Computers £	Totals £
Cost or valuation					
At 1 April 2014	402,885	470,475	256,007	297,271	1,426,638
Additions	-	-	-	9,531	9,531
Disposals	-	-	(3,223)	(26,025)	(29,248)
Revaluation	47,115	(70,475)	-	-	(23,360)
At 31 March 2015	450,000	400,000	252,784	280,777	1,383,561
Depreciation					
At 1 April 2014	-	13,069	256,007	248,552	517,628
Provided during the year	-	11,428	-	15,249	26,677
Eliminated in respect of disposals	-	-	(3,223)	(26,025)	(29,248)
Revaluation	-	(24,497)	-	-	(24,497)
At 31 March 2015	-	-	252,784	237,776	490,560
Net book amount					
At 31 March 2015	450,000	400,000	-	43,001	893,001
At 31 March 2014	402,885	457,406	-	48,719	909,010
Cost or valuation					
At 1 April 2015	450,000	400,000	252,784	280,777	1,383,561
Additions	-	-	-	19,754	19,754
Disposals	-	-	-	-	-
Indexation	-	-	-	-	-
At 31 March 2016	450,000	400,000	252,784	300,531	1,403,315
Depreciation					
At 1 April 2015	-	-	252,784	237,776	490,560
Provided during the year	-	11,765	-	19,200	30,965
Eliminated in respect of disposals	-	-	-	-	-
Indexation	-	-	-	-	-
At 31 March 2016	-	11,765	252,784	256,976	521,525
Net book amount					
At 31 March 2016	450,000	388,235	-	43,555	881,790
At 31 March 2015	450,000	400,000	-	43,001	893,001

Notes to the financial statements for the year ended 31 March 2016

8 Property, plant and equipment (continued)

Depreciation expense of £30,965 (2015: £26,677) has been fully charged to expenditure.

The entity's freehold property was revalued externally on 31 March 2015 by Land and Property Services. This quinquennial valuation was made on the basis of existing use value and in intervening years this will be subject to annual indexation using relative price indices.

9 Trade and other receivables

	2016	2015
	£	£
Levies (statutory)	136,706	151,621
Rural payments agency receivable	23,710	31,824
Farm quality assurance scheme receivables	104,825	90,400
Trade debtors	1,190	-
Prepayments and accrued income	55,092	55,322
	321,523	329,167

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

	2016	2015
	£	£
Cash at bank and on hand	3,292,198	1,530,109

11 Short term bank deposits

	2016	2015
	£	£
Short term bank deposits	-	1,707,759

Notes to the financial statements for the year ended 31 March 2016

12 Trade and other payables

	2016	2015
	£	£
Accruals	325,506	303,876
Trade creditors	44,336	201
Other taxation and social security	51,922	47,507
	421,764	351,584

13 Related party transactions

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

LMC is a one-eighth owner of Northern Ireland Food Chain Certification (NIFCC) and is represented on the board of directors. During the year LMC provided accounting, administration and human resources services to NIFCC valued at £74,557 (2015: £66,115). NIFCC provided LMC with inspection services and marketing information during the year valued at £849,379 (2015: £813,549). The amount due to NIFCC at 31 March 2016 was £85,606 (2015: £67,243). 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 £4,905 (2015: £5,449). The amount due from NIMEA at 31 March 2016 was £2,117 (2015: £618).

Notes to the financial statements for the year ended 31 March 2016

13 Related party transactions (continued)

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

Mr G McGivern	Manager of Banbridge District Enterprises Ltd
Mr P McIlroy	Company Secretary for Bourlion Limited
Mrs O Chesney	Company Secretary for Fane Valley Co-op Society Ltd and its group subsidiary companies
Mr J Lennon	Chair of the Blood Transfusion Service Member of Derrynoose Farming Community Group Head of Corporate Service for Middletown Centre for Autism
Mr H Sinclair	Chair of Northern Ireland Food Chain Certification Board Member of HSENI Member of Farm Safety Partnership
Mr G Maguire	Managing Director of Linden Foods Director of Slaney Foods

Notes to the financial statements for the year ended 31 March 2016

13 Related party transactions (continued)

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

14 Intra-government balances

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	23,710	-	56,290	-
Balances with local authorities	-	-	-	-
Balances with NHS trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Balances with bodies external to government	297,813	-	369,842	187,000
At 31 March 2016	321,523	-	426,132	187,000
	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	31,824	-	53,246	-
Balances with local authorities	-	-	-	-
Balances with NHS trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Balances with bodies external to government	297,343	-	304,077	637,000
At 31 March 2015	329,167	-	357,323	637,000

Notes to the financial statements for the year ended 31 March 2016

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 over one hundred and ten thousand members. It provides a defined benefit scheme for eligible employees and other members of the scheme. This is a tax approved scheme which provides benefits based on a career average pensionable pay, at a normal retirement age of 65. Each year a member is in the main scheme, 1/49th of their pensionable pay is added to their pension account plus a revaluation amount so that their pension keeps up with the cost of living. Employees pay contributions of between 5.5% and 10.5% of pensionable earnings depending on the pay band their pensionable pay falls into. On death of a member, survivors' pensions may be paid to spouses, civil partners, nominated co-habiting partners and eligible children. In addition, on death in service, there is a lump sum payment due to the employee's estate of three years' pensionable pay. To finance these benefits, assets are accumulated in the scheme and are held separately from the assets of the employers.

A full actuarial valuation of the scheme was carried out as at 31 March 2013 which indicated that the scheme remains in deficit. The employer contribution rates for LMC set by the Actuary for the next year will be 20%.

Notes to the financial statements for the year ended 31 March 2016

16 Pension liabilities (continued)

An actuarial valuation of the scheme using the projected unit basis was carried out at 31 March 2016 by Aon Hewitt Ltd. The principal assumptions used were as follows:

	2016	2015	2014
	%	%	%
Future salary increases	3.3	3.3	3.9
Discount rate	3.4	3.2	4.3
Inflation rate	1.8	1.8	2.4
Future pension increases	1.8	1.8	2.4

The mortality assumptions used were as follows:

	2016	2015	2014
	Years	years	years
Longevity at age 65 for current pensioners			
- Men	22.3	22.2	22.1
- Women	24.8	24.7	24.6
Longevity at age 65 for future pensioners			
- Men	24.5	24.4	24.3
- Women	27.2	27.0	26.9

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

	Value at	Value at	Value at
	2016	2015	2014
	£	£	£
Equity	6,488,000	6,592,000	6,037,000
Bonds	1,092,000	1,101,000	976,000
Property	1,191,000	1,138,000	911,000
Cash	208,000	181,000	212,000
Other	45,000	18,000	-
Total market value of assets	9,024,000	9,030,000	8,136,000
Present value of scheme obligations	9,211,000	9,667,000	(8,731,000)
Deficit in scheme	(187,000)	(637,000)	(595,000)

Notes to the financial statements for the year ended 31 March 2016

16 Pension liabilities (continued)

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

	2016	2015
	£	£
At 1 April	9,030,000	8,136,000
Interest Income on scheme assets	285,000	346,000
Contributions by members	18,000	20,000
Contributions by employer	55,000	148,000
Remeasurement of (losses)/gains on assets	(31,000)	709,000
Benefits paid	(333,000)	(329,000)
At 31 March	9,024,000	9,030,000

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

	2016	2015
	£	£
At 1 April	9,667,000	8,731,000
Current service cost	58,000	73,000
Interest cost	304,000	369,000
Contributions by members	18,000	20,000
Actuarial (gains)/losses	(503,000)	803,000
Past Service Costs	-	-
Losses on Curtailments	-	-
Benefits paid	(333,000)	(329,000)
At 31 March	9,211,000	9,667,000

Analysis of amount recognised in the income and expenditure account

	2016	2015
	£	£
Current service cost	58,000	73,000
Interest cost	304,000	369,000
Expected return on pension scheme assets	(285,000)	(346,000)
Past Service Costs	-	-
Losses on Curtailments	-	-
Total operating charge	77,000	96,000

Notes to the financial statements for the year ended 31 March 2016

16 Pension liabilities (continued)

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

	2016 £	2015 £
Actual return less expected return on pensions scheme assets	(31,000)	709,000
Changes in assumptions underlying the present value of the scheme liabilities	503,000	(803,000)
Actuarial gain/(loss) recognised in the statement of recognised income and expenses	472,000	(94,000)
Cumulative actuarial losses recognised in the statement of recognised income and expenses	(277,000)	(749,000)

History of experience gains and losses

	2016 £	2015 £	2014 £	2013 £	2012 £
Defined benefit obligation	(9,211,000)	(9,667,000)	(8,731,000)	(9,346,000)	(8,287,000)
Plan assets	9,024,000	9,030,000	8,136,000	7,907,000	6,959,000
Deficit	(187,000)	(637,000)	(595,000)	(1,439,000)	(1,328,000)
Experience adjustments on plan assets	(31,000)	709,000	123,000	797,000	(428,000)
Experience adjustments on plan liabilities	147,000	89,000	250,000	13,000	(109,000)
Total amount recognised in the statement of recognised income and expenses	472,000	(94,000)	924,000	(101,000)	(780,000)

Analysis of projected amount to be charged to operating profit for the year to 31 March 2017

	£	% of pay
Projected Current Service Cost	55,000	19.4
Net Interest on the Net Defined Benefit Liability (Asset)	4,000	1.4
Past Service Cost	-	-
Losses/(Gains) on Curtailments and Settlements	-	-
Total	59,000	20.8

Notes to the financial statements for the year ended 31 March 2016

17. Events after the reporting period

On 9 June 2016 the premises at 31 Ballinderry Road, known as Lissue House, was destroyed by fire. The building was held as an asset by LMC and shown in Note 8 at a value of £388,235. LMC has advised its insurance providers and is seeking temporary office accommodation in the Lisburn area to minimise disruption to staff and stakeholders. While discussions are progressing with their insurers the directors do not anticipate any loss to arise from this event.

Date of authorisation for issue

The Accounting Officer authorised the issue of these financial statements on 24 August 2016.



**Livestock and Meat Commission
for Northern Ireland**

Lissue Industrial Estate (East)
1A Lissue Walk
Lisburn BT28 2LU

Telephone +44 (0)28 9263 3024
Facsimile +44 (0)28 9263 3001
Email info@lmcni.com
Website www.lmcni.com

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