

Livestock and Meat Commission for Northern Ireland

**Annual Report and Accounts
for the year ended 31 March 2017**

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

24 March 2021

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Performance Report

Overview

Chairman's Statement/Foreword

I am pleased to present the fiftieth Annual Report and Accounts of the Livestock and Meat Commission for Northern Ireland (LMC). This report covers the period 1 April 2016 to 31 March 2017.

The year 2016-2017 has come equipped with various challenges which the organisation has had to deal with. Firstly, the major fire at Lissue House, which occurred in June last year, had quite a significant impact on the organisation meaning that alternative accommodation had to be sought. I would like to acknowledge and pay tribute to the staff at LMC who worked tirelessly to re-establish the business on its new current site and who managed to reinstate services very promptly. I would also like to thank our stakeholders and the Department of Agriculture, Environment and Rural Affairs (DAERA), who assisted and supported LMC during this time and the College of Agriculture, Food and Rural Enterprise (CAFRE) who provided temporary accommodation. As we work through the mechanics of completing the insurance claim, LMC will continue to provide a full range of services in support of the needs of our stakeholders.

Despite the devastation caused by the fire, LMC has celebrated two major milestones this year, the first of which being the organisation's 50th anniversary and the 25th anniversary of the Northern Ireland Beef and Lamb Farm Quality Assurance Scheme (NIBLFQAS). The highly successful NIBLFQAS and the Red Tractor Assurance Scheme, with which the NIBLFQAS operates equivalence, remains a vital tool for the Northern Ireland red meat industry especially with regards to the uncertainties the market faces at present. The NIBLFQAS works to ensure that the red meat industry is able to service a key market, which is imperative as the United Kingdom remains our biggest single trading market. Furthermore, given recent events in Brazil, the NIBLFQAS is crucial in assuring consumer confidence in Northern Irish beef and lamb. In that vein, I wish to acknowledge the support

of the industry who have shown great confidence in the scheme and who continue to champion it.

One of the major forthcoming challenges for the industry is 'Brexit' and with the necessity to gain access to new markets, the NIBLFQAS will be an essential resource going forward. In terms of 'Brexit,' LMC has worked with local industry in order to facilitate an agreed position going forward for the red meat sector. I believe it is important that the sector has a unified voice and while the sector is working hard to achieve this, unfortunately we lack an Executive presence at Stormont to ensure our voice can be heard in Westminster and further afield. We at LMC are looking forward to having the Stormont Executive re-established and to working alongside it to achieve the best possible outcome for Northern Ireland's red meat industry.

Elsewhere, I am delighted to welcome the news that Northern Ireland has been granted Bovine Spongiform Encephalopathy (BSE) negligible risk status. Along with a reduction in some disposal costs, the newly acquired status will add further impetus to the marketing of Northern Ireland beef and lamb on a global platform. The granting of this status is particularly important to LMC, who both supported and funded the application, as it is a direct reflection on the quality of Northern Ireland's red meat sector and a recognition of the strength of the BSE control framework within which the industry operates.

In the future, we still look forward to working closely with the planned NI Agri-Food Marketing Organisation. Given that over a quarter of Northern Ireland Agri-food sales are accounted for by the red meat sector, I anticipate that the sector should play a prominent role in marketing the industry. I believe that the sector should have a strong voice at the table of the new marketing body and LMC is poised and ready to facilitate that voice on behalf of the industry.

I would like to thank my colleagues on the Board of LMC, for their continued hard work and dedication, especially over the past year with the fire and the additional challenges that it has brought us. I also wish to congratulate the executive team for their continued hard work and on how quickly they pulled together to re-establish the business and restore it to its fully functioning order.

In conclusion, I would also like to acknowledge our stakeholders whose support and encouragement throughout the past year has been steadfast. In terms of working together to further the interests of the industry, we are looking forward to continued engagement with our stakeholders in the future and to developing an enhanced programme of industry support services in conjunction with producers and processors.

A handwritten signature in black ink, appearing to read 'G. McGivern', written in a cursive style.

Gerard McGivern
Chairman
Livestock and Meat Commission

26 February 2018

Strategic Report

Introduction

The Commission presents its Annual Report and Accounts for the 2016-17 business year.

The Annual Report and Accounts have been prepared in compliance with the accounting principles and disclosure requirements of the relevant edition of the Government's Financial Reporting Manual (FReM) and under an Accounts Direction given by the Department of Agriculture, Environment and Rural Affairs (DAERA) 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, Environment and Rural Affairs (DAERA). 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 DAERA 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 2016-17. 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 2016-17 Business Plan). Under each of the business objectives detailed business activities with individual targets were undertaken. Progress against the business objectives was monitored throughout 2016-17, 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 2016-17, LMC, in line with our Mission Statement, LMC successfully delivered a comprehensive programme of assurance, education, industry development, market information and promotional activity across our various service delivery sections. This activity is in direct support of the organisation's strategic objectives which align closely to our statutory functions under the 1967 LMC Act. The activity is specifically tailored to the needs of our funding stakeholders and helps to contribute to delivery of DAERA's vision for a thriving and sustainable economy, environment and rural community. Details of LMC's performance against the specific targets, as outlined in our Business Plan at the start of 2016-17, 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.

In reviewing the 2016-17 year a number of significant events took place that helped to shape LMC's programme of activity throughout the period. In April 2016 LMC's Sponsor Department DARD (now DAERA) took over responsibility from the UK Rural Payments Agency for legislative compliance with European Union (EU) cattle deadweight price reporting (DWPR) obligations for the Northern Ireland region. LMC signed a Service Level Agreement with DAERA to provide it with a DWPR service and we are delighted that this ongoing agreement is working well for all parties involved.

Locally we had elections to the Northern Ireland Assembly in May 2016 which resulted in a change to the political landscape with a reduction in the number of Government Departments and Ministers. A new Minister was appointed to LMC's Sponsor Department, the Department of Agriculture Environment and Rural Affairs (DAERA). The Minister approved the LMC Strategic Plan for 2016-19 and met with the LMC Board to discuss key strategic issues for LMC and the red meat industry in which we provide our services. The Minister eagerly supported LMC and the red meat industry at a wide range of events during the year including the launch of LMC's Flavour Your Life advertising campaign in June 2016, a jointly hosted LMC and Invest NI business networking dinner in Ag les Halles Paris during the global food fair at SIAL in October 2016 and, a Beef Industry Conference at Greenmount in November 2016. A new round of elections to the Northern Ireland Assembly was called in

March 2017 and LMC looks forward to working closely with any new Ministers responsible at DAERA.

In June 2016 two very significant events took place that will greatly influence LMC's strategy for the coming years. The first was an extensive fire at Lissue House on 09 June 2016 which destroyed the LMC headquarters building and precipitated a relocation of LMC to new rental office premises at 1A Lissue Walk Lisburn. LMC moved into Lissue House in 1998 and it was devastating for the organisation to lose its premises. Despite the fire, LMC, with great support from its stakeholders and DAERA, was able to continue to provide its full range of services for the industry with very little disruption. We are particularly grateful to CAFRE Greenmount for hosting LMC for a three month period immediately after the fire until we identified and moved into rental premises in Lisburn. LMC will have to take a strategic view as to the best option for the future of the Lissue House site and significant work will be required to work through the options with insurers, architects, engineers, planners, stakeholders and government to arrive at the optimal solution.

The second major event in June 2016 was the outcome of the referendum to determine the UK's future membership of the European Union, the so-called 'Brexit'. Since the referendum result the red meat supply chain has benefitted from a devaluation of sterling against the euro which has boosted the value of Single Farm Payments and stimulated a growth in export opportunities for NI red meat and meat products into international markets. This immediate currency swing was a welcome boost to beef and lamb trade but is having an impact on the ability of the sector to recruit new labour to fill vacancies as well as making imported raw materials and equipment more expensive. Since the Brexit vote LMC has prioritised the facilitation of discussions with supply chain partners and engagement with policy makers to highlight the importance of the red meat industry to the Northern Ireland agri-food industry and wider economy and the specific issues for the NI red meat sector in exiting the EU.

The health and safety of farmers and farm workers who are the foundation of the Northern Ireland beef and sheep meat industry is of paramount importance to LMC and we were delighted to be accepted as an Affiliate Member of the Farm Safety Partnership in July 2016. LMC has good engagement with farmers through our various service platforms and a range

of farm safety initiatives were undertaken by LMC throughout the year such as texting Think SAFE messages to farmers, for example at the opening of slurry spreading periods, and developing a booklet on safe slurry storage on farm.

August 2016 was 'Love Meat' month of the Northern Ireland Year of Food and Drink. LMC carried out a broad range of promotional and educational activities throughout the Year of Food and Drink to inform consumers about the wholesome and nutritious FQAS beef and lamb produced in Northern Ireland and the ease with which these versatile and affordable products can be included in the diets of consumers who lead busy lifestyles. LMC recognises the importance of building and maintaining a strong presence in the local market for FQAS beef and lamb which provides the platform on which to market the sector outside Northern Ireland. Also during August 2016 LMC entered into a new arrangement with our sponsor department DAERA where, for a period, LMC would pilot increased delegated limits for internal approval of business cases up to a value of £200k (previously £30k). This new arrangement was warmly welcomed by the LMC Board who immediately put in place agreed procedures with DAERA for authorising expenditure on goods and services up to the new delegated limits of authority.

In November 2016 LMC facilitated the attendance of a number of key local industry representatives at the International Meat Secretariat (IMS) World Meat Congress in Punta del Este Uruguay. The Congress noted that, despite the current antagonism towards free trade and globalisation that seems to be apparent, a healthy world meat economy has much to benefit from fairly negotiated free trade agreements. LMC continued to prioritise its trade development activities during the year to boost efforts to maintain and open up new markets to UK beef and lamb exporters. In November 2016 LMC co-funded, with other UK Levy Bodies, an official visit by the National Meat Inspection Service (NMIS) & Bureau of Animal Industry (BAI) of the Philippines to progress market access for export of UK beef. This led to a formal lifting of the BSE ban by the Philippine authorities and a real opportunity has opened up for local industry to develop new business in this important third country market.

On 01 February 2017 legislation giving effect to the Bovine Viral Diarrhoea Persistently Infected (BVD PI) Removal Incentivisation Scheme came into operation. The Scheme

(funded under the Northern Ireland share of the EU Exceptional Adjustment Aid) was established with the aim of reducing the incidence of BVD in Northern Ireland through incentivising the removal and humane destruction of calves that have a positive test result for the presence of the BVD virus. Owners of calves which meet the eligibility criteria can apply for financial assistance to remove and replace eligible animals whose death has been recorded on APHIS between 1 February 2017 and 30 September 2017. LMC was delighted to be appointed by DAERA as delivery agent for the scheme and all applications are subjected to administrative checks and controls in partnership with DAERA and Animal Health and Welfare (AHWNI) to verify eligibility before payment.

In March 2017 the Northern Ireland Beef and Lamb Farm Quality Assurance Scheme (NIBLFQAS) celebrated 25 years since its formal launch. NIBLFQAS remains a key tool for engaging farmers with the end market specification of their product and provides an essential platform for helping the processing industry to supply the best available market opportunities at home and abroad. Provision of the NIBLFQAS was LMC's largest core activity during the year and with 12,500 members we have strategic ambitions to use the scheme as a basis to help demonstrate the sustainability credentials and journey of improvement of our local beef and lamb industry.

We are acutely aware that LMC's ongoing relevance and success as an organisation depends on having a close working relationship with all of our stakeholders and funders. LMC has a very broad stakeholder base including farmers and processors in the red meat industry, livestock markets, the animal feed supply trade, livestock hauliers, the wider agri-food industry, the media, banking institutions, research providers, knowledge transfer specialists, industry customers in retail and food service, red meat consumers, school children and educational institutions, government departments, industry support bodies and advisers, lobby groups, universities, political representatives, other marketing and promotional bodies etc. During the 2016-17 reporting year LMC Staff and Board Members participated in over 270 separate engagements with or on behalf of its stakeholders in Northern Ireland, Great Britain, Republic of Ireland (ROI) and other EU countries as well as internationally. LMC has a very dedicated, professional and hard-working staff, who with the support and strategic direction of the LMC Board, are totally focussed on adding value to the generous funding we receive from our stakeholders through delivering the services and expertise they

need to further the marketing, development and positioning of the Northern Ireland beef and sheep meat industry.

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 16 of this Annual Report. LMC has set in place good environmental practices within our own organisation such as maintaining a contract to recycle various waste products (cans, paper, card and plastic).

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 DAERA. LMC's main funding comes from a statutory levy on livestock slaughtered within Northern Ireland. LMC also has a Service Level Agreement with DAERA for the provision of Cattle Deadweight Price Reporting.

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

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

Under 2016-17 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 65 to 87.

Performance Analysis

LMC Performance 2016-17

The table below summarises LMC's performance against its Business Plan targets for 2016-17. For further information on the detailed monitoring of 2016-17 objectives please contact LMC.

	Business Plan Performance Target	Outcome 31 March 2017
1	Facilitating Market Access and Development – Support of initiatives to encourage the global export marketing of NI beef and lamb.	Achieved
2	Provision of an Effective and Efficient FQAS Membership Scheme - Oversee the management of FQAS and ensure it evolves in line with the needs of all industry stakeholders.	Achieved
3	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
4	Improving Stakeholder Understanding of LMC - Ensure stakeholders fully understand LMC's role, functions and value added.	Achieved
5	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
6	Enhancing the Sustainability Credentials of Industry - Develop industry/stakeholder understanding of sustainability, and its response to, climate change.	Achieved
7	Promotion of Beef and Lamb Consumption by Consumers - Deliver a promotional campaign with an appropriate media mix in order to maximise reach and influence behaviour.	Achieved
8	Provision of Strategic Education Services - Enhance the understanding of agriculture and food both among pupils in secondary level education and the general consumer.	Achieved
9	Developing staff knowledge and skills - Provide our staff with the right skills and knowledge through appropriate training interventions and networking opportunities.	Achieved
10	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
11	Communication of Market Information to Stakeholders – Ensure the widest possible dissemination of expert market analysis and market intelligence to LMC stakeholders.	Achieved

Review of Activity 2016-17

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 2016-17 include the following:

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 was actively involved in a Sire Recording Stakeholder Group which is tasked with improving methods of sire recording in Northern Ireland. LMC has also worked on a new mobile application that is designed to assist with a range of tasks including medicine records, sheep performance recording and compliance with farm assurance.

Antimicrobial Resistance

LMC attended meetings of the Cattle Antimicrobial Usage Data Collection Steering Group throughout the reporting period. This group was set up to bring industry and Government representatives together to ensure an industry aligned UK-wide approach for the quantification of antimicrobial use in cattle. This follows the O'Neill report on Antimicrobial Resistance (AMR) and the commitment by the former Prime Minister David Cameron to deliver on a five year strategy to tackle AMR.

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 this project enabling an options analysis and business case to be completed 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 Working Group (whose members who are active in the production, processing, procurement, promotion and retailing of beef) meets regularly at

locations throughout Europe and maintains a three-year (2017-2020) rolling work plan to address key priorities in order to work towards the delivery of the Working Group's vision. These include: Further development of a Beef Farm Sustainability Assessment (FSA); Development of a beef sustainability programme that enhances existing assurance schemes focused on addressing local priorities through a focus on continuous improvement; Formation and launch of the SAI Platform EU Roundtable for Sustainable Beef and; a desktop review to better appreciate the value of beef from the dairy herd.

LMC is also actively engaged in the work of DAERA's GHG Implementation Partnership and has been working with other members during the year on the 2016-2020 Implementation Plan of Efficient Farming Cuts Greenhouse Gases.

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 sponsored the 67th Annual Meeting of the European Federation of Animal Science. This provided a unique opportunity to showcase the best of UK animal science, research and livestock production to an international audience.

Animal Health and Welfare

LMC participated in Animal Health and Welfare Stakeholder Forum meetings throughout the year. The meetings are facilitated by DAERA 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. At the beginning of the financial year LMC renewed the registration of Greenfields across the EU for another 10 years to protect its future.

This year LMC strongly supported the UK application to the OIE (World Organisation for Animal Health) for BSE Negligible Risk Status for Northern Ireland. The upgrading of Northern Ireland's status from Controlled Risk to Negligible Risk by the OIE would help alleviate some of the BSE control costs that must currently be carried by the supply chain. It also helps to present a very positive message to new and existing customers of Northern Irish beef and, with Scotland also achieving Negligible Risk Status at the same time, this should help the UK in negotiating access to new market opportunities for beef around the world. LMC agreed to fund, on behalf of industry, the 4,500 Euro application fee that was required to accompany the Northern Ireland application to the OIE.

2. Education Services and Consumer Promotion

LMC educates consumers about the nutritional value of red meat in the diet and promotes beef and lamb in home markets. As part of this service to industry, we operate a highly valued education programme and successful retail sampling sessions which bring the best of Northern Ireland Farm Quality Assured beef and lamb to the consumers of today and tomorrow.

Highlights of LMC's Education and Consumer Promotion activity for 2016-17 include the following:

Cookery Demonstrations

LMC's educational programme continued this year with 329 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 nutritional website www.food4life.org.uk which was updated, with the help of the British Nutrition Foundation (BNF), to include new information on the new A-level syllabus. 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 LMC, Council for the Curriculum, Examinations and Assessment (CCEA), Food Standards Agency, the Association of Teachers of Home Economics 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 information booklet 'The Natural Choice', outlining the importance of the NIBLFQAS and including beef and lamb recipes, was distributed at all school demonstrations. Pens promoting LMC's educational food4life website were given out at school demonstrations as well. LMC provided beef and lamb resources (recipes, traceability leaflets) to charity groups holding consumer events during this period. A suite of short beef and lamb recipe videos was produced for use on LMC's education and consumer websites.

Communication of LMC's Education and Industry Development Activities

LMC had help to promote its education and industry development work during this period. Aiken PR, in the second year of their contract helped LMC to promote the Northern Ireland Year of Food and Drink 2016, especially during meat month in August when they secured the services of a top chef to judge a 'best steak' competition in St George's Market. The work during the year included beef and lamb recipe features, staff profiles and the HE Teachers conference. They continued to communicate on LMC's behalf via Twitter and a monthly tweet sheet keeps the beef and lamb messages flowing.

LMC developed a Facebook page in the third quarter of the year and this has proved successful in telling stakeholders what we are doing as well as enticing them to cook with beef and lamb.

MeatMATTERS

LMC is still a member of the joint levy body initiative Meatmatters, which promotes the benefits of red meat in the diet to consumers across the UK. It also ensures negative press coverage regarding health scares is responded to by appropriate experts in the red meat industry (the Meat Advisory Panel) in a timely manner. Throughout the year rebuttal / informative messages were given to the press on issues such as coronary heart disease, diabetes, red meat and cancer and the danger of reducing the amount of red meat in the diet, especially for females. This work with Meatmatters has allowed positive 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. They could also make use of the Meat and Health and the Meat Advisory Panel websites too so that they were able to read measured scientific information surrounding red meat. LMC hopes to continue to work with the British Nutrition Foundation to keep education and nutrition messages in schools and on the food4life website up to date and relevant to consumers.

Stakeholder Engagement

LMC's presence at Balmoral Show during the reported year gave ample opportunity to highlight the role the Commission plays in the agri food industry. Beef and lamb cookery demonstrations were held in the Food NI marquee while on LMC's stand fresh beef and lamb rolls were distributed to consumers each day. Resources were given to all consumers visiting the stand. The Education Services Manager attended 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 NIBLFQAS beef and lamb. It also enabled LMC to get feedback from the teachers present as to what would be useful content for the A level section of LMC's education website. LMC provided a member of staff to judge the Northern Ireland

Food and Drink Association (NIFDA) awards and sponsored the main course at the NIFDA Awards dinner.

LMC Media Campaign-NIBLFQAS

A beef and lamb media campaign comprising television advertisements, outdoor advertising and press advertising centred around the message 'Flavour your Life'. The whole campaign was supplemented by school cookery demonstrations in school, and a planned communications programme in the agricultural and consumer press and as part of the NI Year of Food and Drink 2016. 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.

Placement students

LMC provided a year-long placement to a student from Harper Adams University. 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 replacement year-long placement student in March.

3. Northern Ireland Beef and Lamb Farm Quality Assurance Scheme

Participation

In the 2016-17 financial year producer numbers participating in the Northern Ireland Beef & Lamb Farm Quality Assurance Scheme (NIBLFQAS) has decreased slightly, with an approximate decrease in scheme membership of 0.77% in comparison to the 2015-16 financial year. Whilst participation has decreased slightly the scheme also witnessed a number of withdrawals due to a number of businesses amalgamating in response to DAERA's increased focus on associated herds. In the 2016-17 financial year there was a 42% decrease in NIBLFQAS applications to the scheme in comparison to the financial year end 2015-16. At the end of the 2016-17 financial year producer participation in NIBLFQAS stood at 12,260, a decrease in membership of 95 or 0.77% 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 99.35% at the end of the 2016-17 financial year. Steers represented the highest category for assurance proportion at 99.45% with cull cows reaching a level of 96.73% assurance during the year.

Certification

In the 2016-17 financial year 7,647 surveillance inspections were conducted by the Certification Body, Northern Ireland Food Chain Certification (NIFCC), which represents an average surveillance inspection interval of 18 months against a maximum target of 18 months. There were 636 spot-check inspections, representing 5.4% 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 1 (31 October 2016) NIFCC were 87 inspections below target. The majority of the inspection deficit was from surveillance and spot check inspections, initial inspections take priority.

The first year of the Certification Services contract with NIFCC expired on 31 October 2016. This contract was awarded for an initial contract period of three years with the option to extend for two additional one year periods.

Scheme Management

- **NIBLFQAS Industry Board/Standard Setting Committee:** In 2016-17 LMC continued to facilitate meetings of the NIBLFQAS Industry Board and NIBLFQAS Standard Setting Committee (SSC) to ensure that NIBLFQAS continues to operate effectively and efficiently in line with industry needs.
- **Earned Recognition:** LMC continued to meet with Department of Agriculture, Environment & Rural Affairs (DAERA) to explore the development of earned recognition for statutory inspections and NIBLFQAS.

- **Farming Life Awards:** In October 2016, LMC sponsored Northern Ireland Farm Quality Assured Beef to the Farming Life & Danske Bank Awards dinner.
- **FQAS Butchers Licencing:** Over the course of 2016-17 the NIBLFQAS Standard Setting Committee suspended the Butcher Licensing Scheme. It was agreed that a Sub-Group would be established to make any decisions and report back to the Committee for final approval. The Sub-Group will meet over the coming months to determine standards and rules for this scheme.
- **FQAS CRM Database Development:** Throughout 2016-17, development of the CRM (Customer Relationship Management) NIBLFQAS database continued. The CRM NIBLFQAS database has been operational for over two years. 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. LMC are continuing to work 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.

Farm Liaison

The NIBLFQAS Farm Liaison Service continued to provide valuable assistance before and after inspections to NIBLFQAS participants during the 2016-17 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 138 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

The current funding streams that are in place for NIBLFQAS are based on a 50:50 funding ratio between producers and processors. Producers pay an annual participation fee of £55 + VAT and Processors pay a throughput fee on each animal slaughtered (£1.00 per bovine animal and £0.10 per ovine animal). Processors also pay an annual membership fee of £400 for a slaughter/processor and £250 for a secondary processor. Looking forward to scheme funding over the next five years, it was discussed in 2016-17 that current funding arrangements for FQAS would not be sustainable. This change in situation is largely due to the increase in Farm Quality Assurance Scheme participation as a result of the horsemeat incident in January 2013 and the fact that at 99.35% of cattle are FQ at slaughter therefore there is no further income to be gained from throughput fees at the current rate. This is kept under review by LMC and the NIBLFQAS Industry Board.

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 2016-17

Good supplies of prime cattle coming forward for slaughter early in the financial year combined with stable consumer demand put some pressure on deadweight prices for prime cattle. However reduced imports of prime cattle from ROI for direct slaughter combined with steady supplies of locally produced cattle as the year progressed resulted in the deadweight prime cattle trade showing some recovery during Q2 and Q3 and then remained stable during Q4.

The decision by the UK to leave the EU in June 2016 resulted in a notable weakening of sterling against euro. A result of this was a reduction in the competitiveness of beef imports from other EU countries (primarily ROI) on the UK market and in addition has made NI and UK beef products more competitive on valuable EU markets. This will have contributed to the stability in the deadweight trade for prime cattle in NI in the second half of 2016 and early 2017.

Prime cattle throughput in NI during 2016-17 totalled 317,187 head, a 0.5 % increase on 2015-16 levels. This slight increase in throughput occurred despite the fact that 2015-16 was a 53 week financial year. The increased throughput during 2016-17 is the first annual increase in throughput after five consecutive years in which the prime cattle kill in NI recorded a decline. There was however a notable decrease in the carcass weights of prime cattle slaughtered in NI plants with an average prime cattle carcass weight during 2016-17 of 336kg, a 6kg decrease from an average carcass weight of 342kg during 2015-16.

This decrease in average carcass weight combined with one less working week in the financial year contributed to a 1 % decline in the volume of beef from prime cattle handled

by the NI processors and offset the increase in total prime cattle throughput over the same period. The volume of beef sourced from prime cattle handled by NI processors during 2016-17 totalled 106,410 tonnes compared to 107,710 tonnes during 2015-16.

Cow throughput in NI remained strong during 2016-17 with a total of 101,413 cows slaughtered, a 13% increase from 2015-16 levels when 90,141 cows were killed. This increase in cow throughput has occurred despite there being one less working week in the 2016-17 financial year when compared to 2015/16. The average cow carcass weight recorded a decrease to 299kg during 2016-17 compared to 307kg during the previous financial year. However despite the 8kg decline in the average cow carcass weight and the fact that there was one less working week in 2016-17 than the previous year the volume of cow beef handled by local processors during 2016-17 was 9 % higher than year earlier levels. This is the second year in a row that substantial increases in the volume of cow beef processed have been recorded.

The average R3 steer price in NI during 2016-17 was 339.4p/kg, up by 13.3p/kg from 326.1p/kg during the 2015-16 period. In the second half of 2016 prime cattle prices in NI improved with reduced imports of prime cattle from ROI for direct slaughter increasing competition for the steady supplies of prime cattle available locally. With the euro trading strongly against sterling during the second half of 2016 it made UK produce much more competitive on key EU markets. Cow prices in NI also firmed during 2016-17 when compared to year earlier levels. The average O3 cow price in NI during 2016-17 was 248.8p/kg compared to 238.6p/kg during 2015-16.

There was a further increase in beef sired calf registrations on NI farms during 2016-17 with a total of 363,515 beef sired calves registered. This was a 1.3% increase from 2015-16 levels when 358,511 beef sired calves were registered and follows on from a strong increase in beef sired calf registrations in 2014-15. The increase in registrations 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 2017-18 progresses. Limousin continued to be the most popular beef sire used on NI farms however there have been a notable increase in the number of Aberdeen Angus and Hereford calf registrations. The number of dairy sired male

calves registered in NI during 2016-17 totalled 81,304 head, a notable decline from the 90,242 dairy male calves registered in 2015-16.

Imports of cattle from ROI for direct slaughter in NI during 2016-17 totalled 7,899 head, a notable reduction from 26,850 head imported for direct slaughter during 2015-16. A further 7,269 cattle were imported from GB for direct slaughter during 2016-17, up from 4,430 head during the previous year. Meanwhile cattle exports from NI for direct slaughter in ROI totalled 9,964 head during 2016-17, back from 14,171 head in 2015-16. There was a notable decrease in the number of cows being exported from NI for direct slaughter in ROI plants. During 2016-17 a total of 4,291 cattle were exported from NI for slaughter in GB, back from 8,909 head during the previous year. There was a notable decline in the number of prime cattle making the journey to GB for direct slaughter and this can be attributed to a narrowing in the price differential for prime cattle between the two regions.

Sheep Market Overview 2016-17

Lamb/hogget throughput in NI totalled 433,131 head during 2016-17, a 7.5 % decrease on 2015-16 levels when 468,469 lambs/hoggets were killed in NI plants. This decrease in annual throughput can be attributed to poorer performance of lambs at grass in summer and autumn 2016 which resulted in more lambs being carried over to be killed as hoggets in 2017 as well as an increase in the proportion of NI lambs exported to ROI for direct slaughter. At the end of the 2016-17 financial year reports indicate good numbers of hoggets remain on NI farms to be killed early in the 2017-18 financial year. Total ram/ewe throughput in NI plants during 2016-17 was 27,625 head, a notable decrease from the 32,984 rams/ewes killed in NI plants during 2016-17.

ROI continues to act as an important market for NI origin lambs with exports for direct slaughter during 2016-17 totalling 382,500 head, an increase from 2015-16 levels when 352,431 sheep were exported. Exports for direct slaughter accounted for 47% of total NI sheep output during 2016-17, an increase from 43% of the total output exported during 2015-16. With the euro performing strongly against sterling from Q2 onwards NI origin lambs were attractive to processors in ROI which will have been one key factor behind the increase in exports year on year. However a weaker sterling also has the benefit of making NI lamb more cost competitive on key EU markets. The average R3 lamb/hogget price in NI

during 2015-16 was 384.5p/kg, a notable increase from an average of 346.6p/kg during 2015-16. This increase by 37.9p/kg equates to £7.95 on a 21kg lamb.

Price Reporting Services

LMC continued to deliver statutory price reporting obligations for the DAERA 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 2016-17, 86 % 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 2016-17. 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 a focus on EU beef production, meeting market specifications for beef and lamb and an overview of potential trade options for the UK when leaving the EU.

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. With the UK opting to leave the EU market access issues became an even higher priority in 2016-17. 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 2016-17 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.

Progressive Beef Production Conference

LMC, AFBI, CAFRE and the UFU came together in November 2016 to jointly host the 'Progressive Beef Production' conference. Over 300 people from across the beef sector attended the successful event which was held at CAFRE Greenmount campus. The focus of the event was on assessing current practice in the beef sector and exploring the scope for change in farm management and systems to improve efficiency and ultimately profitability

of NI beef production. The aim was also to provide a forum where farmers and other industry representatives could discuss the challenges they face in beef production.

Export Conference

In Autumn 2016 LMC hosted an export seminar to engage with producers, hauliers, agents and DAERA to explore the existing barriers to the live trade of cattle between NI and GB and explore potential solutions. This seminar was organised in response to industry requests for such an event in an attempt to understand the reasons for the price differential in deadweight prime cattle prices between NI and mainland GB.

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

26 February 2018

Accountability Report

Corporate Governance Report

Directors Report

Commission Membership

The Minister for Agriculture, Environment and Rural Affairs appoints the chairman and members of the LMC Board for three-year terms. As of 31 March 2017 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 2020	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

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 and has been involved in cross border initiatives. He is a Director of Banbridge District Enterprises Ltd, and a Non-Executive Director of the Northern Health and Social Care Trust.

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 a board member of Health and Safety Executive for Northern Ireland (HSENI). He was Chairman of NIFCC until October 2016.

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 until July 2018.

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.

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 2016-17 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.

Complaint Handling

LMC is committed to providing the highest possible standards of service to all its customers, and has a Staff Code of Conduct that details the core standards of service our staff are expected to deliver. Central to these is the facility for customers to lodge formal complaints if things go wrong. In line with our complaints procedures, and our equality commitments, we monitor complaints received and our handling of them. There were no complaints received in 2016-17.

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, Environment and Rural Affairs (DAERA) with the approval of the Department of Finance (DoF). 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 DAERA 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 DAERA 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 DoF.

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 2016-17

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 DAERA 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 DoF.

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, Environment and Rural Affairs 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 DAERA (Food Policy Branch being LMC's sponsors within DAERA). During the year this was reviewed and updated every six months by DAERA 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 DAERA/LMC Board meeting on 17 February 2016, and subsequently approved by the DAERA minister on 11 July 2016.

The governance framework has been in place at LMC for the year ended 31 March 2017 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, Environment and Rural Affairs 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 fulfills the aims and objectives that are approved by DAERA, 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 DAERA and its Minister.
- Ensures that DAERA 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 DAERA 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 DAERA that action has been taken to make appropriate adjustments where required.
- Demonstrates high standards of corporate governance at all times.
- Appoints, with DAERA's approval, a Chief Executive to LMC and, in consultation with DAERA, sets remuneration terms for the Chief Executive.

Evaluation of Board Performance

Table 1 sets out the attendance of Commission Members for the financial year 2016-17 at Board and Audit and Risk Assurance Committee (ARAC) meetings where applicable:

Table 1

Name	Board Meeting	ARAC
Gerard McGivern Appointed 6/11/2015	13/13	-
Patrick McElroy Appointed 1/2/2014	12/13	3/3
Harry Sinclair Appointed 1/7/2015	12/13	3/3
Oonagh Chesney Appointed 1/7/2015	12/13	2/3
Jim Lennon Appointed 1/7/2015	12/13	3/3
Gerry Maguire Appointed 22/10/2015	10/13	-

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 DAERA and hosted on LMC's website.

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

In March 2017 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 is actively involved in strategic planning and policy decisions;
- The relationship between the NDPB board and its sponsor department is open, honest and constructive;
- The Board, its executive team and sponsor department all understand the responsibilities of the body;
- The organisation's values are established and regularly reviewed, and are actively promoted by the Board;
- Development of board members is on-going and fit for the board's purpose;
- The board's performance is actively monitored and improved through objective assessment;

- The Board understands that they are accountable to, and consults regularly with, its sponsor department, ministers and other stakeholder groups; and
- Roles are clearly defined.

The results of the self-assessment were discussed at the March 2017 Board meeting, and the overall results of the checklist are shown in Table 2. In comparison to the previous year’s assessment figures for Exceeded Expectation have increased by 21%, and figures for Partially Met expectations have decreased by 7%.

Table 2

Exceeded expectation	Met expectations	Partially met expectations	Did not meet expectations
64%	35%	1%	0%

Action points from the self-assessment exercise include:

- The Board agreed to include an agenda item for June or July Board meetings to review/update its annual strategy and policy decisions.
- The Chairman will email each Board member encouraging them to contact him personally if there are issues or concerns they wish to discuss outside of the group environment.

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 reviewed 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 (DAERA IA), representatives of the sponsor body (DAERA), 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 3 times during the 2016-17 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:

- The Chairman thanked Mrs Oonagh Chesney, Mr Jim Lennon and Mr Harry Sinclair for their contribution to the Committee over the last year.
- 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 2016-17 year was issued on 01 November 2016. An overall opinion of "satisfactory" was recorded and the IA representative remarked that the LMC had successfully retained its "satisfactory" audit opinion despite the disruption caused by the destructive fire at LMC headquarters on 09 June 2016.
- The C&AG certified the Annual Report and Accounts 2015-16 on 24 August 2016 and these were laid before the NI Assembly on 30 September 2016.
- The Risk Register was reviewed at 6 monthly intervals and it was noted the continuing risk relating to Board continuity and succession, and the concern of the committee was conveyed to the Sponsor Branch representative in the May 2016 meeting. The risk posed by the restructuring of Government Departments and the forthcoming Brexit vote was also noted.

- The updated Risk Management Strategy was also considered and adopted for recommendation to the LMC Board in the May 2016 meeting.
- The Terms of Reference of ARAC were reviewed in October 2016. It was noted it was updated in September 2015 and in the absence of any additional departmental guidance that the Terms of Reference remains current and valid.
- In August 2016 the sponsor branch approved, on a trial basis, an increase of the delegated spending limit.
- The audit strategy for External Audit was presented and approved in the February 2017 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 DAERA (IA) gave an overall “Satisfactory” assurance, in its 2016-17 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:

- An annual Governance Statement for 2015-16 was included in the Organisation's Annual Report and Accounts 2015-16. This was completed in accordance with DAO 10/12 – Requirement to complete a Governance Statement; and Annex 3.1 of Managing Public Money NI (MPMNI).
- LMC's policy on Gifts & Hospitality reflects Departmental and NICS guidance. A register is maintained to record all offers of gifts or hospitality made and received by LMC. The 2015-16 Gifts & Hospitality register was reviewed and signed off by the Chief Executive.
- There are a number of policies and procedures in relation to information management; including Information Risk Management Policy, IT Security Policy, Information Asset Register and an Information Loss Handling Procedure. These policies were satisfactory and up to date.
- LMC have a range of policies and procedures in relation to human resource issues. These policies and procedures are adequate and appropriate to the size and nature of the organisation. The policies and procedures set out very clearly what is required of all staff within LMC to maintain effective human resource management.
- LMC have multiple policies in relation to Health & Safety and have clearly defined responsibilities for all staff at all levels within the Organisation. Staff are kept up to date with any revisions to existing policies and training / awareness is currently up to date.

It was also noted that:

- Due to the fire a number of paper based records were also destroyed. This included records relating to financial transactions, such as payments, receipts and procurement.
- Various HR records were destroyed in the fire, including records from the most recent recruitment competitions, training records and COI declarations.
- As a result of the fire at LMC HQ, we were unable to carry out testing in relation to physical controls associated with Health & Safety such as signage within the

premises, DSE assessments and availability of first aid supplies. These areas will be tested in future reviews of LMC.

Recommendations to be addressed include:

- Management should consider storing financial records; and all other key records previously kept in hard copy; in electronic format.
- LMC Health and Safety Policy requires line management to ensure that accidents / incidents are reported under Reporting of Injuries, Diseases and Dangerous Occurrences Regulations (RIDDOR) as necessary, however it does not clearly set out when the RIDDOR regulations apply.

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 2016-17.

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 DAERA 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 DAERA policies, including the achievement of key objectives, is reported to DAERA on a quarterly basis. In line with DAERA's Arms Length Bodies Sponsorship Manual quarterly Accountability meetings take place between the Director of DAERA'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 2016-17.

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 2016-17 on the LMC provided an overall satisfactory opinion. The opinion was derived from an annual review which included Corporate Governance, Financial Management, Human Resources, Health and Safety 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 2015-16 financial statements with an unqualified audit opinion, without modification.

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 DAERA'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 DAERA.

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, Environment and Rural Affairs. However, we value innovation and the implementation of new services which support the achievement of our goals. To this end LMC considers itself to be "open" to risk, that is, willing to consider all potential options and choose the one most likely to result in successful delivery, while also providing an acceptable level of reward and value for money.

Risk Register

The Corporate Risk Register was reviewed by the Audit and Risk Assurance Committee in February 2017 and was subsequently approved by the Board. Risk issues and their management are routinely discussed at each Senior Management Team meeting.

During 2016-17, 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 Physical security of premises

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			

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 2016-17 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.

There were no records of any data related incidents that would constitute protective security breaches, in the financial year 2016-17.

Significant Governance Issues

There are no significant governance issues to report in the 2016-17 Governance Statement.

Conclusion

As Accounting Officer, based on assurances provided to me by DAERA 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

Remuneration Report

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

DoF operates a control on the review of employees' remuneration, and reviews are subject to a pay remit approval process.

A remuneration committee of the Board approves all remuneration reviews. LMC makes new appointments based on market rates as appropriate to the role.

Service Contracts

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

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

Salary and pension entitlements (audited)

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

	2016-17				2015-16			
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)	15-20	-	-	15-20	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	-	-	5-10	5-10 (full year equivalent 5-10)	-	-	5-10
Mr J Lennon Board Member (from 1 July 2015)	5-10	-	-	5-10	5-10 (full year equivalent 5-10)	-	-	5-10
Mr H Sinclair Board Member (from 1 July 2015)	5-10	-	-	5-10	5-10 (full year equivalent 5-10)	-	-	5-10
Mr G Maguire Board Member (from 22 October 2015)	5-10	-	-	5-10	0-5 (full year equivalent 5-10)	-	-	0-5
Mr I Stevenson Chief Executive	55-60	-	23	80-85	50-55	-	17	65-70
Mr P O'Rourke Chairman (until 6 Nov 2015)	-	-	-	-	10-15 (full year equivalent 15-20)	-	-	10-15
Mr P O'Neill Board Member (until 30 June 2015)	-	-	-	-	0-5 (full year equivalent 5-10)	-	-	0-5

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

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 2016-17 was £55,449 (2015-16: £54,900). This was 2.49 times (2015-16: 2.72 times) the median remuneration of the workforce, which was £22,286 (2015-16: £20,194). The range of staff remuneration was £14,138 to £55,449 (2015-16: £13,981 to £54,900).

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 31/3/17 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/3/17	CETV at 31/3/16	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	80	65	10	-

Pension benefits are detailed in Note 15 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 DAERA. As Chief Executive I am particularly grateful to, and would like to thank, all members of staff for their support and for their tremendous efforts in managing, maintaining, growing and administering the many and varied activities of LMC throughout the year. I would also like to thank the LMC Chairman and Board for their ongoing guidance and support to myself and the staff team at LMC.

Organisational Breakdown at 31 March 2017		
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)	3	1:2

*1 unfilled permanent vacancy as at 31 March 2017

Staff Costs

Staff costs are captured in the table below:

	Permanently employed staff	Others	Commission members	2016-17	2015-16
	£	£	£	£	£
Wages and salaries	363,160	33,997	51,413	448,570	426,594
Social security costs	19,992	1,836	2,177	24,005	25,535
Pension costs – defined benefit plans	63,668	-	-	63,668	57,811
	446,820	35,833	53,590	536,243	509,940

Included in the above costs is £64,000 relating to employer pension costs as detailed in Note 15.

Staff Absence

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

	2016-17	2015-16
Percentage days lost through sickness absence	0.27%	1.36%
Cost of absence	£7,002	£6,965
Percentage of annual staff costs	1.30%	1.36%

LMC's absence level is well below current levels associated with the Northern Ireland economy of 5.6% ("Sickness Absence in the Northern Ireland Civil Service" NISRA October 2017).

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 2016 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.

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 2016-17.

Consultancy

There was no expenditure on consultancy services during the period 2016-17.

Exit Packages and Compensation for Loss of Office

There were no exit packages or compensation for loss of office during the period 2016-17.

Assembly Accountability and Audit Report

Regularity of Expenditure (audited)

There were no special payments or losses made by LMC in 2016-17.

Fees and Charges (audited)

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. LMC also runs the NIBLFQA Scheme on behalf of the red meat industry. The funding arrangements for the scheme comprise of an annual membership fee for producers and a processor throughput fee for every bovine animal and sheep slaughtered.

	Levy Funded Activities	NIBLFQAS
Income for year (excluding interest)	£1,066,219	£1,126,417
Expenditure for year (excluding notional costs)*	£1,665,214	£1,121,991

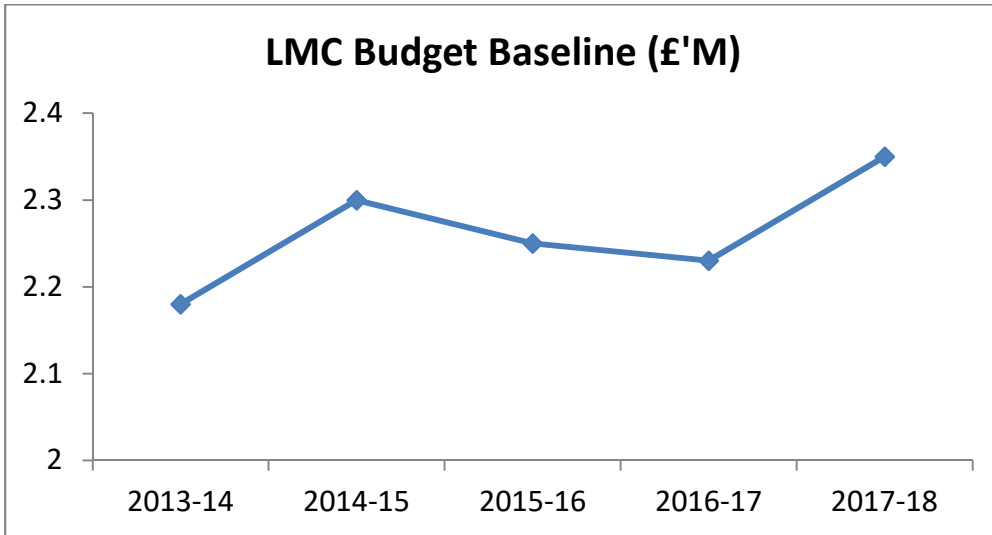
*Levy funded expenditure includes an exceptional item of £430,648 as detailed in Note 4.

Remote Contingent Liabilities (audited)

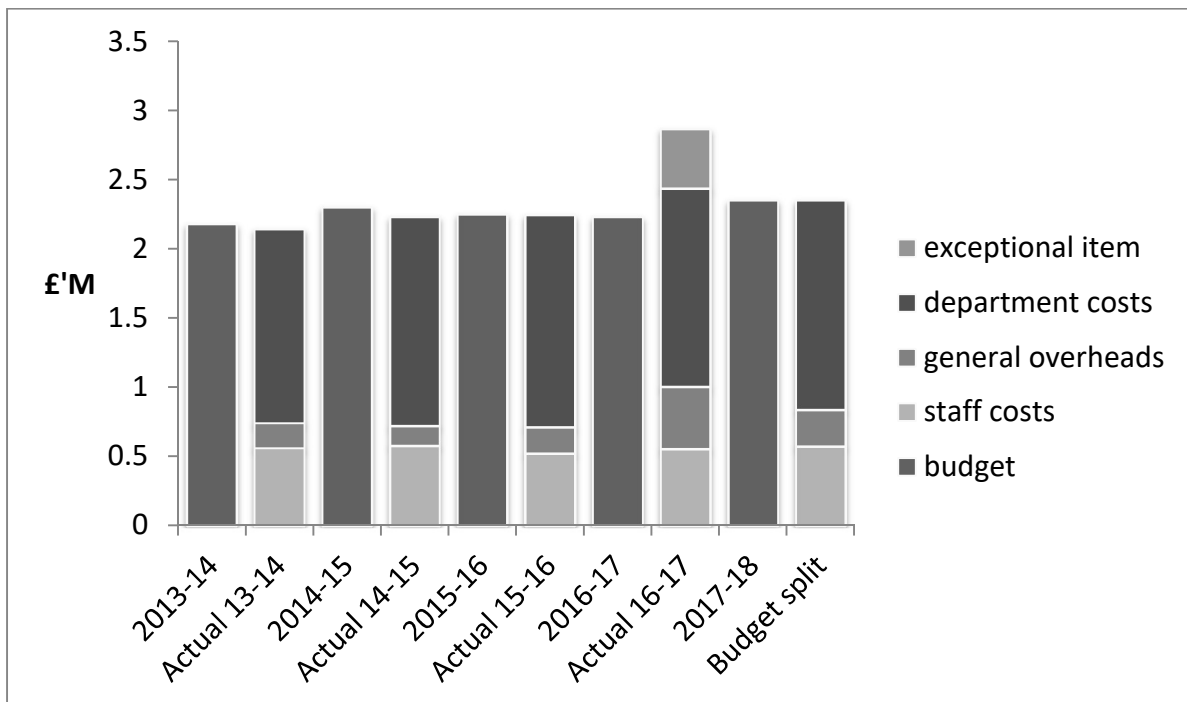
LMC has no remote contingent liabilities to report at 31 March 2017.

Long-term Expenditure Trends (audited)

The chart below captures the long-term summary expenditure profile of the LMC budget over the period 2013-14 to 2017-18.



The chart below shows the LMC budget split by major expense heading over the period 2013-14 to 2017-18.



Ian Stevenson

Ian Stevenson
Accounting Officer

26 February 2018

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 2017 under the Livestock Marketing Commission Act (Northern Ireland) 1967. The financial statements comprise: the Statements of Comprehensive Net Expenditure, 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 and Audit 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

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become aware of any apparent material misstatements or inconsistencies I consider the implications for my report.

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

Opinion on regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the Commission's affairs as at 31 March 2017 and of the net expenditure, cash flows and changes in taxpayer's 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, Environment and Rural Affairs directions issued thereunder.

Opinion on other matters

In my opinion:

- the parts of the Remuneration and Staff Report and the Assembly Accountability and Audit report to be audited have been properly prepared in accordance with Department of Agriculture Environment and Rural Affairs 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*

12 March 2018

Financial Statements

Statement of Comprehensive Net Expenditure for the year ended 31 March 2017

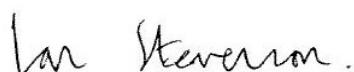
	Note	2017 £	2016 £
Expenditure			
Staff and related costs		536,243	509,940
Depreciation (net of deferred grant release)	8	9,383	30,965
Other operating charges	3	1,914,073	1,765,212
Exceptional item	4	430,648	-
		2,890,347	2,306,117
Income - continuing operations			
Income from activities	2	2,281,079	2,237,510
Net (expenditure)	2	(609,268)	(68,607)
Finance income	5	10,820	10,652
Net (expenditure) before income tax		(598,448)	(57,955)
Income tax charge	6	2,963	4,368
Net (expenditure) after tax	7	(601,411)	(62,323)
Other comprehensive net (expenditure)/income			
Items that will not be reclassified to net operating costs:			
Actuarial (loss)/gain on retirement benefits obligations	15	(994,000)	472,000
		(994,000)	472,000
Total comprehensive net (expenditure)/income			
for the year ended 31 March 2017		(1,595,411)	409,677

The notes on pages 69 to 87 form part of these financial statements.

Statement of Financial Position as at 31 March 2017

	Note	2017 £	2016 £
Assets			
Non-current assets			
Property, plant and equipment	8	487,531	881,790
Total non-current assets		487,531	881,790
Current assets			
Trade and other receivables	9	364,396	321,523
Cash and cash equivalents	10	1,265,457	3,292,198
Short term bank deposits	11	1,731,297	-
Total current assets		3,361,150	3,613,721
Total assets		3,848,681	4,495,511
Current liabilities			
Trade and other payables	12	364,188	421,764
Income tax liabilities	6	2,963	4,368
Total current liabilities		367,151	426,132
Non-current assets plus net current assets		3,481,530	4,069,379
Non-current liabilities			
Pension liabilities	15	1,190,000	187,000
Total non-current liabilities		1,190,000	187,000
Total assets less liabilities		2,291,530	3,882,379
Taxpayers' Equity and Other Reserves			
Income and expenditure account		2,095,279	3,691,148
Revaluation reserve		-	1,137
Designated reserves		196,251	190,094
		2,291,530	3,882,379

The financial statements on pages 65 to 87 were authorised for issue by the Board on and were signed on its behalf by:



Ian Stevenson
Accounting Officer
26 February 2018

The notes on pages 69 to 87 form part of these financial statements.

Statement of Cash Flows for the year ended 31 March 2017

	Note	2017 £	2016 £
Cash flows from operating activities			
Net (expenditure) before income tax		(598,448)	(57,955)
Adjustments for:			
Depreciation of property, plant and equipment		9,383	30,965
Movement in trade and other receivables		(42,873)	7,644
Actuarial (loss)/gain recognised		(994,000)	472,000
Movement in trade and other payables		(57,571)	70,180
Movement in pension liabilities		1,003,000	(450,000)
Notional charges		5,699	6,989
Loss on disposal of property, plant and equipment		430,648	-
Income tax paid		(4,368)	(5,739)
Net cash used in operating activities		(248,530)	74,084
Cash flows from investing activities			
Purchases of property, plant and equipment		(46,914)	(19,754)
Proceeds from sale of property, plant and equipment		-	-
Movement in short-term deposits		(1,731,297)	1,707,759
Net cash used in investing activities		(1,778,211)	1,688,005
Net (decrease)/increase in cash and cash equivalents in the year		(2,026,741)	1,762,089
Cash and cash equivalents at the beginning of the year	10	3,292,198	1,530,109
Cash and cash equivalents at the end of the year	10	1,265,457	3,292,198

The notes on pages 69 to 87 form part of these financial statements.

Statement of Changes in Taxpayers' Equity for the year ended 31 March 2017

	Designated reserves Farm quality assurance scheme £	Total designated reserves £	Revaluation Reserve £	Income and expenditure account £
Balance at 1 April 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
Net expenditure after tax			(1,137)	(601,411)
Other notional charges				5,699
Other comprehensive net expenditure				(994,000)
Transfer from unrealised revaluation reserve to income and expenditure account				-
Transferred to other designated reserves	6,157	6,157		(6,157)
Balance at 31 March 2017	196,251	196,251	-	2,095,279

The notes on pages 69 to 87 form part of these financial statements.

Notes to the financial statements for the year ended 31 March 2017

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 14 to 30. 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 2016-17 Government Financial Reporting Manual (FReM) issued by DoF 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 Commission 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. Since the building at Lissue House was destroyed by fire in June 2016, the Commission has moved to new premises in Lisburn and the Board believes that the going concern basis continues to be appropriate.

Notes to the financial statements for the year ended 31 March 2017

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

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 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

Notes to the financial statements for the year ended 31 March 2017

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

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	-	N/A
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.

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.

Notes to the financial statements for the year ended 31 March 2017

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

Loans and receivables (financial instruments)

a) Trade and other receivables

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments are considered indicators that the trade and other receivable are impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in the income statement within 'operating costs'. When a trade and other receivable are uncollectible, it is written off against the allowance account for trade and other receivables. Subsequent recoveries of amounts previously written off are credited against 'other operating costs' in the income and expenditure account.

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.

Notes to the financial statements for the year ended 31 March 2017

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

Other financial liabilities at amortised costs (financial instruments)

Trade and other payables

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

Income tax

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

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.

Notes to the financial statements for the year ended 31 March 2017

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

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

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

Contingent Liabilities

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

Notes to the financial statements for the year ended 31 March 2017

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

Financial risk factors

(a) Market risk

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

(b) Credit risk

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

(c) Liquidity risk

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

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 2017

2 Income and expenditure by activity

	Income from activities £	Expenditure £	Operating deficit 2017 £	Total 2016 £
Levy and other income	1,154,662	1,768,356	(613,694)	(20,822)
NIBLFQAS income	1,126,417	1,121,991	4,426	(51,215)
Rural payments agency	-	-	-	3,430
Total	2,281,079	2,890,347	(609,268)	(68,607)

3 Other operating charges

	2017 £	2016 £
Information services	38,696	17,472
Market development and advertising	1,391,918	1,513,646
Administration costs:		
Actuarial costs of pension scheme	5,000	19,000
Office expenses	455,152	197,344
Aggregate travelling and subsistence	23,307	17,750
	1,914,073	1,765,212
Office expenses include:	2017	2016
	£	£
Notional charges	5,699	6,989
Auditors' remuneration - for external audit	10,000	10,000

4 Exceptional Item

On the 9 June 2016 the Commission's premises at 31 Ballinderry Road, known as Lissue House, was destroyed by fire. The total value of the building and its contents in the financial statements was held at £430,648. This loss on these fixed assets has been written off in the current year. As described in Note 16, negotiations regarding the insurance claim are ongoing and no income has been recognised in the financial statements.

Notes to the financial statements for the year ended 31 March 2017

5 Finance income and costs

	2017 £	2016 £
Interest income:		
Short-term bank deposits	10,820	10,652
Finance costs - net	10,820	10,652

Short-term bank deposits

Short-term bank deposits earned interest at a rate of 0.45% over the financial year.

6 Income tax charge

	2017 £	2016 £
Current income tax:		
Current UK corporation tax at 20% (2016: 20%)	2,963	4,368
Income tax charge	2,963	4,368

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% (2016: 20%). The differences are reconciled below:

	2017 £	2016 £
(Deficit) before income tax	(598,448)	(57,955)
Tax calculated at the UK small companies' rate of corporation tax of 20% (2016: 20%)	(119,690)	(11,591)
Effect of:		
Deficit not taxable	122,653	15,959
Income tax charge	2,963	4,368

The entity is subject to income tax on any surplus on price reporting activities and on its rental and interest income.

Notes to the financial statements for the year ended 31 March 2017

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 two reportable operational segments, levy funded activities and NIBLFQAS.

The segment information provided to the Board for the reportable segments for the year ended 31 March 2017 is as follows:

	Levy Funded Activities	NIBLFQAS	Other	Total
	£	£	£	£
Income from external parties	1,066,219	1,126,417	88,443	2,281,079
Interest Received	8,656	2,164	-	10,820
Expenditure (excluding notional costs)	1,665,214	1,121,991	88,443	2,875,648
Operating deficit before tax	(590,339)	6,590	-	(583,749)
Income tax expense	(2,530)	(433)	-	(2,963)
Deficit before notional costs and after tax	(592,869)	6,157	-	(586,712)
Adjustments in respect of notional costs:				
Internal audit				(5,699)
Actuarial costs and notional charges of pension scheme				(9,000)
Total deficit reported for year				(601,411)
Total assets less liabilities	2,095,279	196,251	-	2,291,530
Depreciation	5,383	2,000	2,000	9,383

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 2017

8 Property, plant and equipment

	Freehold Land	Property Buildings	Exhibition equipment, fixtures, fittings and office furniture	Computers	Totals
	£	£	£	£	£
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
Cost or valuation					
At 1 April 2016	450,000	400,000	252,784	300,531	1,403,315
Additions	-	-	16,691	30,223	46,914
Disposals	-	-	-	-	-
Written- Off	-	400,000	252,784	300,531	953,315
At 31 March 2017	450,000	-	16,691	30,223	496,914
Depreciation					
At 1 April 2016	-	11,765	252,784	256,976	521,525
Provided during the year	-	-	3,338	6,045	9,383
Eliminated in respect of write-off	-	11,765	252,784	256,976	521,525
Indexation	-	-	-	-	-
At 31 March 2017	-	-	3,338	6,045	9,383
Net book amount					
At 31 March 2017	450,000	-	13,353	24,178	487,531
At 31 March 2016	450,000	388,235	-	43,555	881,790

Notes to the financial statements for the year ended 31 March 2017

8 Property, plant and equipment (continued)

Depreciation expense of £9,383 (2016: £30,965) has been fully charged to expenditure.

The entity's freehold land 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 would normally be subject to annual indexation using relative price indices. No indexation was applied in 2016-2017 due to the destruction of the premises and its contents in June 2016.

9 Trade and other receivables

	2017	2016
	£	£
Levies (statutory)	170,733	136,706
Farm quality assurance scheme receivables	100,829	104,825
Prepayments and accrued income	92,834	55,092
Rural payments agency receivable	-	23,710
Trade debtors	-	1,190
	364,396	321,523

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

	2017	2016
	£	£
Cash at bank and on hand	1,265,457	3,292,198

11 Short term bank deposits

	2017	2016
	£	£
Short term bank deposits	1,731,297	-

Notes to the financial statements for the year ended 31 March 2017

12 Trade and other payables

	2017	2016
	£	£
Accruals	293,730	325,506
Trade creditors	9,962	44,336
Other taxation and social security	60,496	51,922
	364,188	421,764

13 Related party transactions

The Department of Agriculture, Environment and Rural Affairs (DAERA) is regarded as a related party. During the year, LMC has had various material transactions with DAERA.

LMC is a one-eighth owner of Northern Ireland Food Chain Certification (NIFCC). During the year LMC provided accounting, administration and human resources services to NIFCC valued at £89,342 (2016: £74,557). NIFCC provided LMC with inspection services and marketing information during the year valued at £833,428 (2016: £849,379). The amount due to NIFCC at 31 March 2017 was £91,680 (2016: £85,606). 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 until the 8 June 2016 to Northern Ireland Meat Exporters Association valued at £873 (2016: £4,905). The amount due from NIMEA at 31 March 2017 was £Nil (2016: £2,117).

Notes to the financial statements for the year ended 31 March 2017

13 Related party transactions (continued)

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

Mr G McGivern	Director of Banbridge District Enterprises Ltd No-Executive Director of Northern Health and Social Care Trust
Mr P McElroy	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 2017

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 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

15 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 2016 which indicated that the scheme remains in deficit. The employer contribution rates for LMC set by the Actuary for the next year will be 18%.

Notes to the financial statements for the year ended 31 March 2017

15 Pension liabilities (continued)

An actuarial valuation of the scheme using the projected unit basis was carried out at 31 March 2017 by Aon Hewitt Ltd. The principal assumptions used were as follows:

	2017	2016	2015
	%	%	%
Future salary increases	3.5	3.3	3.3
Discount rate	2.5	3.4	3.2
Inflation rate	2.0	1.8	1.8
Future pension increases	2.0	1.8	1.8

The mortality assumptions used were as follows:

	2017	2016	2015
	Years	Years	Years
Longevity at age 65 for current pensioners			
- Men	23.2	22.3	22.2
- Women	25.8	24.8	24.7
Longevity at age 65 for future pensioners			
- Men	25.4	24.5	24.4
- Women	28.1	27.2	27.0

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

	Value at 2017	Value at 2016	Value at 2015
	£	£	£
Equity	7,803,000	6,488,000	6,592,000
Bonds	1,204,000	1,092,000	1,101,000
Property	1,100,000	1,191,000	1,138,000
Cash	272,000	208,000	181,000
Other	94,000	45,000	18,000
Total market value of assets	10,473,000	9,024,000	9,030,000
Present value of scheme obligations	11,663,000	9,211,000	9,667,000
Deficit in scheme	(1,190,000)	(187,000)	(637,000)

Notes to the financial statements for the year ended 31 March 2017

15 Pension liabilities (continued)

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

	2017	2016
	£	£
At 1 April	9,024,000	9,030,000
Interest Income on scheme assets	304,000	285,000
Contributions by members	20,000	18,000
Contributions by employer	60,000	55,000
Remeasurement of gains/(losses) on assets	1,312,000	(31,000)
Benefits paid	(247,000)	(333,000)
At 31 March	10,473,000	9,024,000

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

	2017	2016
	£	£
At 1 April	9,211,000	9,667,000
Current service cost	64,000	58,000
Interest cost	309,000	304,000
Contributions by members	20,000	18,000
Actuarial losses/(gains)	2,306,000	(503,000)
Past Service Costs	-	-
Losses on Curtailments	-	-
Benefits paid	(247,000)	(333,000)
At 31 March	11,663,000	9,211,000

Analysis of amount recognised in the income and expenditure account

	2017	2016
	£	£
Current service cost	64,000	58,000
Interest cost	309,000	304,000
Expected return on pension scheme assets	(304,000)	(285,000)
Past Service Costs	-	-
Losses on Curtailments	-	-
Total operating charge	69,000	77,000

Notes to the financial statements for the year ended 31 March 2017

15 Pension liabilities (continued)

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

	2017	2016
	£	£
Actual return less expected return on pensions scheme assets	1,312,000	(31,000)
Changes in assumptions underlying the present value of the scheme liabilities	(2,306,000)	503,000
Actuarial (loss)/gain recognised in the statement of recognised income and expenses	(994,000)	472,000
Cumulative actuarial losses recognised in the statement of recognised income and expenses	(1,271,000)	(277,000)

History of experience gains and losses

	2017	2016	2015	2014	2013
	£	£	£	£	£
Defined benefit obligation	(11,663,000)	(9,211,000)	(9,667,000)	(8,731,000)	(9,346,000)
Plan assets	10,473,000	9,024,000	9,030,000	8,136,000	7,907,000
Deficit	(1,190,000)	(187,000)	(637,000)	(595,000)	(1,439,000)
Experience adjustments on plan assets	1,312,000	(31,000)	709,000	123,000	797,000
Experience adjustments on plan liabilities	(298,000)	147,000	89,000	250,000	13,000
Total amount recognised in the statement of recognised income and expenses	(994,000)	472,000	(94,000)	924,000	(101,000)

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

	£	% of pay
Projected Current Service Cost	93,000	30.3
Net Interest on the Net Defined Benefit Liability (Asset)	29,000	9.4
Past Service Cost	-	-
Losses/(Gains) on Curtailments and Settlements	-	-
Total	122,000	39.7

Notes to the financial statements for the year ended 31 March 2017

16 Contingent Asset

The Commission is currently in negotiations with its insurance providers regarding the fire at Lissue House in June 2016 and subsequent insurance claim. This process will be concluded by June 2018 and the Board is of the opinion that the negotiations will have a satisfactory outcome.

No income has been recognised in relation to the insurance claim in the financial statements.

Date of authorisation for issue

The Accounting Officer authorised the issue of these financial statements on 26 February 2018.