

Livestock and Meat Commission for Northern Ireland  
Annual report for the year ended 31 March 2007

Laid before each House of Parliament by  
the Livestock and Meat Commission for Northern Ireland in accordance  
with Paragraph 12(2) and (4) of the Schedule to the  
Northern Ireland Act 2000 and Paragraph 6 of  
the Northern Ireland Act 2000  
(prescribed documents) order 2004

25 July 2007

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## CHAIRMAN'S STATEMENT



I am pleased to present the 40th Annual Report of the Livestock and Meat Commission for Northern Ireland (LMC). This report covers the period 1 April 2006 to 31 March 2007.

The year reported upon has continued to be one of transition for the beef and sheepmeat sectors in Northern Ireland following the decoupling of subsidies from production under the Common Agricultural Policy in 2005 and the ending of the 10 year beef export ban in May 2006. Compared to last year the industry has experienced less volatility in the supply and price of livestock coming forward for slaughter but while the price at farm-gate has increased by 6% for finished cattle and 4% for finished sheep, this has fallen far short of the market price change necessary to restore profitability to our industry.

I mentioned in my Chairman's statement in the last LMC Annual Report that the removal of restrictions on the export of cattle and beef would assist in resolving the conundrum of profitability that faces the industry by providing a greater diversity of market opportunity. This would allow a better realisation of value for our livestock and an enhanced offer to producers at farm-gate level. The industry is still developing in regard to the growth of exports. 9% of our beef production has been exported in the year reported upon, however no significant uplift

in producer prices has materialised as a consequence of these increased exports. Market research that we had initiated in 2005 identified opportunities for better market prices in several European markets. Over the last year however we have observed weakening of prices in a number of European countries as the supply/demand balance and increasing imports have evolved. We continue to believe that such opportunities as are found should be developed, including emerging opportunities for the live export of some of the best of our specialist beef animals. We will continue to support and facilitate the industry in this endeavour.

Last year we reported our estimate of a £150 million farm-gate loss in the beef and sheepmeat industry. This was based on costing-in farmer and farm family labour at a rate equivalent to the basic agricultural wage. During the year we contracted a leading agri market research company to undertake an independent study to identify the true value of labour undertaken by the farmer, spouse and family members within the beef and sheepmeat sector. The conclusion was that the value of this labour for manual and management work amounted to an average of £27,000 per farm per year for an average of 48 hours work per week on beef cattle and sheep enterprises. When these costs replace our original £11,000 basic wage the net loss could be stated at closer to £500 million per year. The lack of sustainability of red meat production in Northern Ireland needs no further emphasis.

Against this background LMC has worked constantly with an industry task force made up of the Ulster Farmers Union, National Beef Association, Northern Ireland Meat Exporters Association, Department of Agriculture and Rural Development and Invest Northern Ireland. This group has set its sights on the development of a long term strategic plan for the Northern Ireland Red Meat Industry. By the end of the year the task force had appointed one of the world's leading international strategic consultancy organisations to assist with the development and implementation of a strategy; we anticipate that a report and implementation arrangements will be emerging mid way through our next financial year.

While we can see that the current circumstances of our industry are clearly not sustainable, and that the work which the task force is undertaking is essential, it is by no means guaranteed that solutions to the industry problems will be found, but as a minimum the industry should be preparing itself for fairly radical change if profitability at farm-gate level is to be achieved.

Throughout the year we have continued to represent to government significant strategic issues affecting our industry. We are convinced that the standards against which our industry has to produce its output are considerably different to those that are required of product imported from elsewhere in the world. On a whole range of issues from traceability through medicines and drugs use and controls, animal welfare and environmental care, we continue to attempt to persuade government and others involved

in the chain of responsibility for presenting food to consumers, that our industry must have a level playing field. It is regrettable to note that progress is painfully slow in achieving our desired outcome.

It is most pleasing to note the emergence of devolved government and we have the expectation that this in itself will provide us with a more understanding environment in regards to the needs of our industry expressed by LMC and others.

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

Owen Brennan  
Chair  
3 July 2007

## CHIEF EXECUTIVE'S REVIEW



2006 has been a year of unfulfilled expectations for the Northern Ireland red meat industry, evidenced by the inadequate farm-gate prices for beef and an early collapse in spring lamb prices in

2007. This is set in the context of the lifting of the beef export ban, the resumption of live exports, an increased throughput of cow beef, the rise in the number of Over Thirty Month clean and cull cattle entering Northern Ireland for slaughter, and an increase in sheep production. Despite all this, producers have still seen insufficient returns.

The first substantial period of trading since the beef export ban was lifted by the European Commission on 3 May 2006 has enabled processors to offer all of the elements of the carcass to the best paying customers, whether at home or abroad. The reality has been that, while a percentage (9%) of beef was exported, the principal external market for NI produce (70%) remains Great Britain; unlike before the ban, when 52% was exported and 25% sold in Great Britain. The effects of the lifting of the ban still need to filter through the sector; LMC has re-established a Market Development Executive post to exploit this opportunity.

Consequent on the decoupling of subsidies from production, major transitions in the industry will continue apace for several years to come and LMC will seek to continue to

facilitate in every way possible the betterment of the sector, getting access to the best paying customers and through developing the most efficient models of production and processing possible.

Over the year, the average farm gate price for prime finished cattle (steers and heifers) improved by 6%. The average price paid for prime cattle during 2006 was £1.93/kg carcass weight compared with £1.82/kg in 2005. This was no doubt helped by the overall decline in the clean cattle kill of 7% compared to 2005 and a 9% increase in the average EU male cattle price. The introduction in November 2005 of older cattle back into the food chain has developed extremely positively. Cow prices for good quality beef cows have increased steadily since the transition and have averaged £1.45/kg carcass weight which represents a 7% increase on the average of £1.35/kg in 2005 (post OTM).

For sheep, there was a 10% increase in the total lamb and hogget kill and the average farm gate price rose by 4% to £2.45/kg carcass weight from £2.36/kg in 2005. The fat ewe kill showed an even more dramatic increase, being more than double the kill in 2005, yet prices recovered 8% to just under £21 per ewe from just under £20 in 2005.

While the price increases for both beef cattle and sheep may provide some encouragement to producers, market prices remain a long way short of the total costs of production, and production must be deemed unsustainable at these prices.

Our Accounts for the year are set out on pages 36 to 56 and the deficit achieved for the financial year of £235,746 is set out in the income and expenditure account on page 36. This deficit was lower than the budgeted deficit of £500,000, due mainly to the extension of the tendering process for independent consultants to the Task Force and also for delays in gaining State Aid approvals on certain expenditure; both these delays pushed the planned expenditure into the following financial year.

In line with our Strategic Plan we have set out a range of core objectives which we report upon in the forthcoming pages. As usual, we have consulted our core stakeholders (government, producers, processors, staff and other interested parties) to formulate our latest strategic plan, covering the period 2007 – 2010. The core objectives for the next three years are to:

1. Assist the industry to re-establish sustainable, long-term profitability through all levels of the supply chain.
2. Develop effective and efficient evidence-based communications with stakeholders.
3. Position the Northern Ireland industry to its optimum competitive advantage within domestic and export markets.
4. Provide promotion and information support to the Northern Ireland beef and sheepmeat Industry (within the constraints imposed upon us by State Aid Rules).

5. Provide an independent support service to Government and industry stakeholders.

As mentioned in the Chairman's statement, to address the industry's long term strategy DARD has authorised the funding by itself and LMC, together with industry (producer and processor) stakeholders, of independent consultants to facilitate the industry task force in developing a long term strategy. At the time of writing, the team is established and conducting an intensive data collection phase throughout the industry, to produce detailed recommendations for a long-term strategy by autumn 2007.

David Rutledge  
Chief Executive  
3 July 2007

## BACKGROUND INFORMATION

### Livestock and Meat Commission for Northern Ireland Annual Report and Accounts 2006/2007

The Livestock Marketing Commission for Northern Ireland was established on the 1 August 1967, under the Livestock Marketing Commission Act (Northern Ireland) 1967 (the Act) for the benefit of the livestock and livestock products industries in Northern Ireland. Under Article 8 of the Agriculture (Miscellaneous Provisions) (Northern Ireland) Order 1994 the Livestock Marketing Commission for Northern Ireland was renamed the Livestock and Meat Commission for Northern Ireland. The Commission (LMC) is an executive non-departmental public body sponsored by the Department of Agriculture and Rural Development. The Commission was given the general duty of examining and recommending improvements in the marketing of livestock and livestock products. Particular functions were to include the following:

- Examining the structures of the livestock and livestock products industries.
- Encouraging the making of better arrangements for the movements of livestock and products.
- Advising on the classification and grading of carcasses.
- Advising on the characteristics which livestock should possess in order to be readily marketable.
- Advising on the layout and operation of livestock auction markets and slaughter houses.
- Disseminating information within the industries about market prices for livestock and livestock products and about the trends of those prices and the requirements of markets for livestock and livestock products.
- Conducting market research into the requirements of markets (whether in Northern Ireland or elsewhere) for livestock and livestock products.
- Improving and expanding trade in livestock and livestock products.

To defray the expenses of the Commission, the Act provided for the imposition of levies in respect of livestock slaughtered in or exported from Northern Ireland.

## SUMMARY OF ACHIEVEMENT OF CORE OBJECTIVES 2006-2007

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Core Objective	Achievement
Provide market support to the Northern Ireland beef and sheepmeat industry	<ul style="list-style-type: none"> <li>• Promoted NIFQAS beef through two television and outdoor campaigns (achieving 85% logo recognition)</li> <li>• Informed key opinion-formers of the merits of beef and lamb through various media</li> <li>• Provided technical and market information in a variety of formats and by supporting industry events</li> </ul>
Position Northern Ireland beef and sheepmeat within the marketplace	<ul style="list-style-type: none"> <li>• Re-established NI beef in several export markets (processors exported 9% of beef production in 2006)</li> <li>• Expanded the "Greenfields" brand in Holland</li> <li>• Maximised NIFQAS beef and lamb sold by retailers and used by the catering and food service sectors through promotions</li> <li>• Co-ordinated the NI industry presence at major international exhibitions</li> </ul>
Assist the industry to develop post mid-term review and return to profitability	<ul style="list-style-type: none"> <li>• Facilitated a "Task Force Stakeholder Working Group" and appointed an internationally renowned independent consultancy to assist industry in developing long term strategy</li> <li>• Implemented Beef Market Restoration Programme through international exhibitions, trade missions and retail sampling</li> <li>• Assisted producer groups to access niche markets and breed societies in developing export markets</li> </ul>
Provide a reliable up-to-date information service through research and market intelligence	<ul style="list-style-type: none"> <li>• Commissioned monthly and quarterly analyses of consumer data from TNS to plan promotional campaigns</li> <li>• Distributed market price and technical information to industry</li> <li>• Assisted implementation of major research programme into the contribution of Omega-3 fatty acids to NI diet</li> <li>• Contributed to various reviews, surveys, protocols, committees and consultations, especially in relation to farm profitability</li> <li>• Commissioned survey of farm labour value</li> </ul>
Provide independent support service to government and industry stakeholders	<ul style="list-style-type: none"> <li>• Classified 414,602 cattle and 821,643 sheep carcasses</li> <li>• Assisted in developing VIA classification for sheep carcasses</li> <li>• Administered the OCDS (24,385 animals presented)</li> <li>• Continued to facilitate NIFQAS and protect the interests of participants in relation to UK and EU-wide assurance developments</li> </ul>
Communicate to stakeholders the purpose and benefits of LMC's activities	<ul style="list-style-type: none"> <li>• LMC held its first Open Day in August 2006</li> <li>• Developed a DVD and distributed 14,500 copies</li> <li>• Added all major NI political parties to weekly bulletin</li> <li>• Updated LMC website (average of 187,000 hits per month)</li> </ul>

## CORE OBJECTIVES

### Livestock and Meat Commission for Northern Ireland Annual Report and Accounts 2006/2007

#### Objective One

##### To provide Market Support to the Northern Ireland Beef and Sheepmeat Industry

To inform and advise consumers of the benefits of using beef and sheepmeat as part of a healthy and balanced diet, LMC initiated the following activities:

- Implemented a television and outdoor campaign in October 2006 to highlight the quality, safety and versatility of farm quality assured beef, which resulted in 85% of respondents recognising the Northern Ireland Farm Quality Assurance Scheme (NIFQAS) logo after having seen the advertising. Furthermore 92% of respondents agreed it was important to buy NIFQAS beef.
  - Ran a follow-up television and outdoor campaign in January 2007 focusing on NI Farm Quality Assured minced beef, which reinforced the earlier campaign's results, as well as demonstrating the unique versatility of minced beef. This was of course particularly important to driving consumption after the reintroduction of cow beef into the market.
  - Carried out a press campaign to highlight the nutritional benefits of beef, which was also distributed among doctors' surgeries.
  - Produced a series of 4 posters for use in butchers' shops to provide serving suggestions for beef and lamb.
- In addition to directly targeting consumers, it is also important that LMC ensures key opinion formers are kept aware of the merits of beef and lamb within a balanced diet. The following activities were therefore implemented:
- Coordinated an Annual Professional Development Conference for home economics teachers and health education coordinators, attracting 130 attendees.
  - Updated the Food4Life website, an on-line educational resource to demonstrate the importance of beef and lamb within a balanced diet. Over the last year, the site attracted 307,406 hits; a 42% increase on the previous year.
  - Continued to lobby school caterers to include beef and lamb on the school menu and sponsored the NI school cook of the year competition.
  - Provided secretarial support for the Elite Butchers' Association and hosted the Master Butchers' Association's Sausage/Burger of the Year Competition.

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### Objective Two

#### Position Northern Ireland Beef and Sheepmeat within the Marketplace

After ten years, the beef export ban was finally lifted in May 2006, and, within the limitations imposed by European Union State Aid Rules on promoting Northern Ireland red meat, LMC initiated a programme of activities to re-establish Northern Ireland beef in export markets.

- An Export Development Executive was appointed to develop business opportunities in Europe.
- On behalf of the NI red meat industry, LMC coordinated the stand at the international food exhibition, SIAL 2006 in Paris, and received positive feedback from the participating companies that a number of successful leads had been generated as a result of attendance at the show.
- LMC developed an export DVD and presentation material promoting the Northern Ireland red meat industry.
- LMC coordinated a promotional programme within the Albert Heijn supermarket chain in the Netherlands, including a series of beef and lamb recipes in Allerhande magazine (the Albert Heijn

house magazine) and a series of butchery workshops with 1,200 attendees, to drive sales of beef in the Netherlands.

- In conjunction with InvestNI and DARD, LMC coordinated a trade mission to Italy to investigate the business development opportunities for Northern Ireland beef.
- In order to develop live export opportunities, in conjunction with the Ulster Farmers' Union (UFU), LMC organised a visit by Italian livestock buyers to Northern Ireland.
- LMC coordinated a stand at Europe's largest livestock and animal husbandry exhibition, Eurotier in Hanover, and the agricultural show, SIA 2007 in Paris to assist pedigree breeders in developing exports of "genetics".
- LMC hosted a series of livestock / genetics seminars on behalf of the industry.

Within the domestic market, LMC undertook a series of initiatives:

- Supported Food Strategy Implementation Partnerships (FSIP) through attendance at the Domestic Marketing Industry Group meetings.
- Made category development presentations to the multiple retailers.

## CORE OBJECTIVES

### Livestock and Meat Commission for Northern Ireland Annual Report and Accounts 2006/2007

- Continued to support industry events, by participating in the Balmoral Show and speaking at producer meetings throughout the year.

#### Objective Three

##### To Assist the Industry to Develop Post Mid-Term Review and Return to Profitability

The key initiative in this objective is to develop a long-term strategy for the red meat industry. To further this initiative LMC:

- Facilitated a Task Force Stakeholder Group comprised of producer and processor representative organisations and Government (DARD and Invest NI).
- Implemented the decision of the Stakeholder Group to engage a top quality consultancy organisation by drawing up, with others, a Business Case for such and submitting it to DARD.
- After considerable delay to obtaining approval for the Business Case, and with the assistance of the Central Procurement Directorate (CPD) for a public tendering process, appointed at the end of the year a consultancy company to assist the industry to develop a strategic plan for the sector.

Within the Beef Market Restoration Programme, LMC undertook a series of activities.

To develop export opportunities:

- Achievements listed under Objective 2.

To underpin consumer attitudes and reassure them of the quality, safety and traceability of Northern Ireland beef, and to minimise market disruption with the arrival of OTM beef back into the food chain, LMC:

- Carried out a consumer press campaign highlighting the nutritional benefits of beef.
- Carried out a series of beef sampling sessions within the major multiple retailers.
- Produced a series of 4 recipe leaflets and 2 posters.
- Conducted qualitative research into consumers' attitudes towards red meat in general, and beef in particular.
- Commissioned research into niche market opportunities (e.g. Aberdeen Angus).

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To support the development of niche markets, LMC actively assisted:

- The provision of a mechanism for achieving the integrity of product descriptions by:
  - (a) Adding Aberdeen Angus Quality Beef (AAQB) and Certified Hereford Beef (CHB) supplementary requirements to the NIFQAS inspection and certification process; and
  - (b) Establishing status indicators for AAQB and CHB on the NIFQAS database and obtaining appropriate access for the Certification Body (NIFCC) to add such indicators on APHIS;
- The initiation of a dialogue with Organic groups for a similar provision.
- Commissioning monthly and quarterly analyses of consumer data from TNS.
- Conducting qualitative consumer research on attitudes to Northern Ireland beef and sheepmeat.
- Conducting and commissioning research into the attitudes of processors and retailers to farm assurance.
- Using the results of consumer research to plan promotional campaigns.
- Providing scientific nutritional information to consumers and health professionals through Salon Culinare, NIPPA ("The Early Years Organisation"), "Back to School" lunchbox recipes, Safefood study on "Consumer Focused Review of Beef Food Chain", ELB (Education and Library Board) on recipes for schools, EHSSB (Eastern Health and Social Services Board) on health promotion material, Weight Watchers on meat in slimming diets, the new "Nutri-News" publication and by chairing the NI Branch of the British Dietetic Association.
- Implementing a research study in conjunction with the University of Ulster and AFBI (Agri-Food and Biosciences Institute) on red meat's omega-3 contribution to the NI diet, assisted by funding from DEL (Department of

### Objective Four

**To Provide a Reliable Up-to-Date Information Service by Developing a Knowledge Warehouse of the Beef and Sheepmeat Industry through Research and Market Intelligence.**

LMC obtained an understanding of consumer needs and market trends and communicated information by:

## CORE OBJECTIVES

### Livestock and Meat Commission for Northern Ireland Annual Report and Accounts 2006/2007

Education and Learning) in the form of a CAST (Co-operative Award in Science and Technology), and agreement for an industry contribution from AgriSearch.

To improve industry competitiveness LMC:

- Acquired, collated and distributed market price and technical information in 50 *Bulletins*, 12 *Meat Traders*, 6 *Special Bulletin* inserts and 73 recorded *Press Articles*.
- Enhanced information distribution through *e-Bulletin* and *Text Messaging* services.
- Piloted, in collaboration with AFBI and DARD Policy and Economics Division, a *Beef Cattle Genetics Performance Data Warehouse*, and achieved industry agreement to extend it from sample data to the full NI cattle kill data.
- Commissioned a study *Identifying the True Value of Farmers' Own Labour* and published the independent market research organisation's report.

To acquire and disseminate expert knowledge for the Beef and Sheepmeat Industry, LMC:

- Maintained a core of skilled staff, and re-structured the Technical Department by replacing the Senior Economist appointment with an Agricultural Manager's appointment, charged with a broader portfolio of responsibility.
- Enhanced the collection of data from DARD and meat plants.
- Developed information on the LMC website with daily updates and monthly reviews.



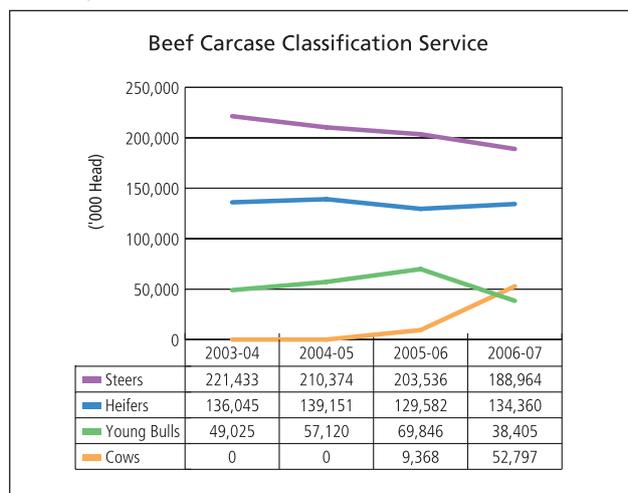
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### Objective Five

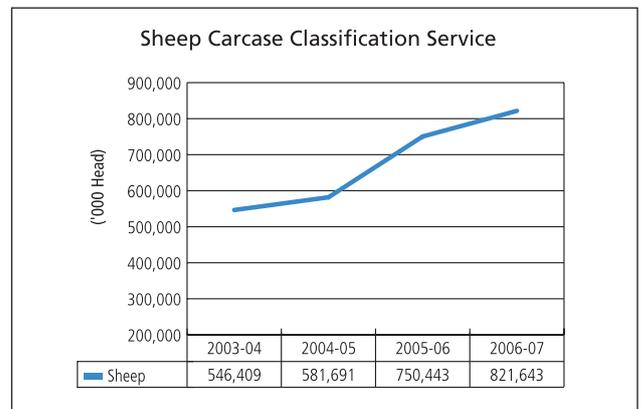
#### To Provide Independent Support Services to the Government and Industry Stakeholders

In providing an independent classification service to satisfy both farmers and processors, LMC:

- Continued to provide a beef and sheep carcase classification service, and delivered value for money in carrying out the following carcase classifications on behalf of processors:



A total of 414,602 cattle carcasses were classified by LMC staff during 2006 – 2007, a marginal increase on the previous year (412,332).



9.5% more sheep carcasses were classified by LMC staff during 2006 – 2007, than in the previous year, due to the increase in the sheep kill in Northern Ireland.

- Participated with the Meat and Livestock Commission (MLC), the English Beef and Lamb Executive (EBLEX), Hybu Cig Cymru (HCC), and Quality Meat Scotland (QMS), and jointly funded a research project into Video Image Analysis for sheep carcase classification, and involved NI industry stakeholders (UFU and NIMEA) in the briefing on the results and potential application.

## CORE OBJECTIVES

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In providing commercial services to Government and industry, LMC:

- Operated the Older Cattle Disposal Scheme (OCDS), which replaced the Over Thirty Month Scheme (OTMS) for animals born before 1 August 1996. Two designated deadweight centres participated in the scheme: Lisburn Proteins and Langford Processors. During the year the total number of animals presented was 24,385.
- Discontinued, at the instruction of the Rural Payments Agency (RPA), its readiness to act as RPA's agent in the control and supervision, within Northern Ireland, of the following market support activities:
  - Support buying, acceptance and boning supervision of intervention beef.
  - Transfers and sales of intervention beef.
  - Beef Import Tariff Quota (ITQ).
  - Sheepmeat and Pigmeat Private Storage Aid (PSA).
  - Special Export Refund.
- Continued to deliver the EU weekly report to RPA on classification and prices.
- Continued to act as facilitator for the Northern Ireland Beef and Lamb Farm Quality Assurance Scheme, and in particular protected the interests of the scheme in the development of the common core Red Tractor Beef and Lamb Standard of Assured Food Standards.
- Assisted with the implementation of the Universal Feed Assurance Scheme (UFAS) and the Assured British Meats Livestock Haulier Assurance Scheme.
- Failed to persuade the Northern Ireland livestock markets to take-up the ABM Livestock Markets Assurance Scheme, which remains the only link in the Northern Ireland supply chain not covered by assurance. Failure to put this in place could jeopardise NI's Red Tractor eligibility in the future.
- Assisted through the UK Beef and Lamb Assurance Council in achieving recognition of assured farms as low risk for enforcement inspections under the new Food Hygiene Regulations, and continued a dialogue with DARD to attempt to achieve similar low-risk recognition for cross-compliance inspections.

In providing a technical service to all sectors of the industry and the general public, LMC:

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### Objective Six

#### To Communicate to Stakeholders the Purpose and Benefits of LMC's Activities

Independent research indicated that many of LMC's stakeholders were unaware of some of LMC's activities, and that they were keen to learn more about LMC's work on behalf of the industry.

In introducing a number of initiatives to improve both internal and external communications, LMC:

- Developed a DVD and distributed 14,500 copies with the Bulletin to highlight the range of LMC activities.
- Introduced quarterly marketing update reports into the Bulletin.
- Held its first Open Day in August 2006.
- Circulated the Bulletin on a weekly basis to all the major NI Political parties, and a politicians' briefing was held in February 2007.

- Launched a text messaging service for prices, and an electronic version of the LMC Bulletin was made available.
- Updated the LMC website, recording an average of 187,000 hits per month over the year, outstripping the monthly target of 120,000.
- Held two staff conferences over the course of the year, and introduced a new staff newsletter.



## FUNDING AND AUDIT

### Livestock and Meat Commission for Northern Ireland Annual Report and Accounts 2006/2007

#### Funding

LMC's main funding comes from a statutory levy on livestock slaughtered within Northern Ireland. Commercial income is also generated by the provision of a Classification Service to Northern Ireland processors and the provision of Agency Services to Rural Payments Agency (RPA). Income from the Farm Quality Assurance Scheme is pitched at a cost recovery level only. LMC has been able to avail of EU finance under promotion and information schemes in recent years.

#### Levies

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

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

LMC continues to seek from DARD the mechanism to be put in place for the collection of levies on live exports, which is provided for under the Act by which LMC was established.

#### Classification Fees

Classification fees, payable by processors, are currently set at sheep £0.20 per head and for cattle £1.25 per head subject to a minimum charge per classification officer per day.

#### Farm Quality Assurance Scheme

Under funding arrangements for the Farm Quality Assurance Scheme, producers pay a £50 joining fee and a £35 annual membership fee. Processors who wish to participate in the scheme pay a fee of £1.00 per bovine animal and £0.10 per sheep slaughtered, plus an annual licence fee of £400 for a slaughter/processor, £250 for a secondary processor and £100 for a butcher.

#### Auditors

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

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

The audit of the financial statements for 2006/07 resulted in an audit fee of £7,500 and is included in the other operating charges in the Income and Expenditure account. The C&AG did not provide any non-audit services during the year.



## HUMAN RESOURCES

### Livestock and Meat Commission for Northern Ireland Annual Report and Accounts 2006/2007

During the year the redundancy process referred to in the previous LMC Annual Report was completed. The consequent reduced numbers and thus reduced flexibility across the functions within Field Services, including administration, demands tighter management to maintain effective provision of services to our industry.

Arising from some natural turnover of staff, LMC has had the opportunity to review the staff compliment and streamlining of duties across a number of functions. This has led to rationalisation and some restructuring, particularly within the Technical team.

#### Staff

The Commission would like to thank all staff for their continued support and hard work throughout the year and in particular those that have left our employment arising from the changes. We wish them well for the future. We also thank those staff who have carried some additional load pending the outcome of recruitment processes.

Work is on-going on the review and re-issue of a number of staff policies. This has included development of a Staff Code of Conduct and a recycling initiative within the Headquarters' premises. As part of the on-going implementation of the LMC Equality Scheme the timetable remains on course and the 5-year review of the Scheme was submitted on time.

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

	2005/06	2006/07
Percentage days lost through sickness absence	3.13%	3.32%
Cost of absence	£38,429	£33,146
Percentage of annual staff costs	2.3%	2.38%

Whilst there has been a slight rise in absence level (0.19 percentage units) it represents only a small change from the previous year and equates in total to an average of 6.0 days lost per employee. This compares favourably with the CBI survey for NI which reports an average of 6.6 days per person. The most recent figures available for the Northern Ireland Civil Service (05-06) are significantly higher at 13.4 days per person. Again there have been a small number of long term absences (four) due to unfortunate personal circumstances. These account for over half of the total LMC absence figure.

#### Charitable donations

It is not LMC policy to make charitable donations.

#### Equality policy

It is LMC policy in carrying out its activities, both as an employer and as a provider of services to the industry, including its interface

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with the general community, to have due regard to the promotion of equality of opportunity:

- between persons of different religious belief, political opinion, racial group, age, marital status or sexual orientation;
- between men and women generally;
- between persons with a disability and persons without; and
- between persons with dependants and persons without dependants.

In addition, without prejudice to its obligations under the above, LMC shall in carrying out its functions have regard to the desirability of promoting good relations between persons of different religious belief, political opinion or racial group. The outworking of this policy is aimed at growing the relationships and structures for our sector that seek to promote respect, equity and trust, and embrace diversity as appropriate to the industry we seek to serve.

### Acknowledgements

The Commission acknowledges help received from many public and private sector organisations and individuals not mentioned elsewhere in this Report. It would like to thank all those who have helped and

supported the Industry in various aspects – Ministers, MPs, MEPs and MLAs and other political figures, DARD staff, the media etc. The Commission would like in particular to thank all those individuals and industry bodies who have participated in various meetings and consultation exercises.

### Environmental Sustainability

LMC provides services for the largest Private Sector industry in Northern Ireland; by assisting towards achieving sustainability of the beef and sheepmeat industry we contribute significantly to the social betterment of the rural community.

LMC continues to promote the nutritional value of beef and sheepmeat as part of a balanced and healthy diet to consumers, students and home economic teachers and other health education coordinators, and to health professionals throughout Northern Ireland.

LMC has set in place good environmental practices such as initiating a contract to recycle various waste products (cans, paper, card and plastic).

## COMMISSION MEMBERSHIP

### Livestock and Meat Commission for Northern Ireland Annual Report and Accounts 2006/2007

Members are appointed by DARD (which also appoints the Chairman) for three-year terms. As of 31 March 2007 there are six members on the Commission ("the Board"); two members have left and one has been appointed during the year:

- Owen Brennan (Chairman)
- Gordon Orr (retired 30 September 2006)
- Martin White (resigned 3 December 2006)
- Pamela Kane
- Greer McCollum
- Nigel McLaughlin
- Richard Watson
- John McGaughey (appointed 1 October 2006)

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 the Commission 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 so require.



**Owen Brennan –  
Chairman**

Owen Brennan's appointment as LMC Chairman began on 1 November 2002. He was re-appointed on 1 November 2005, and will hold the post until 31 October 2008. He is currently the Managing Director of Devenish Nutrition. He was previously Managing Director of Nutec Ireland and has a strong marketing background in agri-business. Mr Brennan is a past President of the Northern Ireland Grain Trade Association.



**Gordon Orr**

The late Gordon Orr was appointed to the Board on 1 October 2000 and served as a Board Member until 30 September 2006. Gordon, who was an independent Management Consultant, was qualified as a Chartered Marketer and specialised in strategic marketing, planning and promotion, mentoring and training in the agri-food and other industries. Gordon chaired the LMC Audit Committee and represented the commission as an NIFCC stakeholder. Tragically, Gordon died on 26 May 2007, after a short illness.

## Livestock and Meat Commission for Northern Ireland Annual Report and Accounts 2006/2007



### **Martin White**

Martin was appointed to the Board on 1 January 2003 and resigned on 3 December 2006. Martin has worked in the meat industry for over thirty years during which time he co-founded Eurostock in 1985, initially as a commercial de-boning plant. He brought to the Board a wealth of experience of the problems and opportunities faced by small businesses in dealing with retailers at home and abroad in today's multinational environment.



### **Pamela Kane**

Pamela has served on the Board since 2002 and was re-appointed for three years in February 2005. She was educated at Cookstown High School and Queen's University, Belfast, graduating with a BSc (Hons) Degree and a postgraduate Diploma in Business Administration. She has worked for 11 years in the pork and bacon industry as a Key Accounts Manager with responsibility for the UK and European retailers, thereby gaining considerable knowledge and experience of the agri-food Industry and the interests of the producer, processor, retailer and

consumer. In addition, she brings to LMC the knowledge derived from a farming background, while as a wife and mother of two young sons, Daniel and David, her consumer interests are sharpened by her hobbies of cooking and entertaining. As a member of the Fire Authority for Northern Ireland for six years, she gained valuable experience in the area of public bodies.



### **Greer McCollum OBE**

Greer is a beef, sheep and cereal farmer and former President of the UFU; he is still a current member of the UFU Council and UFU Executive. He is a Board Member of Coleraine Local Action Group for Enterprise Ltd.



### **Nigel McLaughlin**

Nigel was appointed to the Board in January 2003 and re-appointed for a further three years in January 2006. He is a beef and sheep farmer and former Chairman of the North West UFU Group. He is also a board member of Roe Valley Leader, and former member of the FQAS Technical Advisory Committee of Northern Ireland Food Chain Certification

## COMMISSION MEMBERSHIP

### Livestock and Meat Commission for Northern Ireland Annual Report and Accounts **2006/2007**

Committee. He is former Vice-Chairman of NIAPA and was a member of the Agri-Food Vision Foot and Mouth Sub-Group. Nigel is a founder member of two lamb producer groups and provides business support for Highlands Ltd.

member of the National Sheep Association in Northern Ireland and a past chairman. He is a member of a wide range of professional and agricultural organisations and is a Fellow of the Royal Agricultural Societies (FRAS). John now works as an industry consultant.



**Richard Watson**

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



**John McGaughey**

John was appointed to the Board in October 2006. He studied agriculture at Kings College, The University of Newcastle Upon Tyne where he specialised in animal production. He worked for many years for the Department of Agriculture and is well known for his practical development work within the beef and sheep sectors. He was a founder

## LMC AUDIT COMMITTEE ROLES AND RESPONSIBILITIES

### Livestock and Meat Commission for Northern Ireland Annual Report and Accounts 2006/2007

The Board of the Livestock and Meat Commission has established an Audit Committee to support them in their responsibilities for issues of risk, control and governance and associated assurance.

#### Overall responsibility

The Audit Committee takes delegated responsibility on behalf of the Board of the Livestock and Meat Commission for ensuring that there is a framework for accountability; for examining and reviewing all systems and methods of control, both financial and otherwise, including risk analysis and risk management.

#### Membership

*The members of the Audit Committee are:*

- *Mr David Gray (Chair): independent member appointed by the Board in April 2007.*
- *Mrs Pamela Kane: non-executive Board member re-appointed by the Board in February 2005.*
- *Mr Richard Watson: non-executive Board member appointed by the Board in March 2006.*

The Audit Committee meets at least four times a year. The Chair of the Audit Committee is currently not a Board member and was selected by the Board for his financial and audit skills, after a public tendering process. Members of the audit committee serve for not more than 3 years. The chief executive, the accountant, and DARD internal and external auditors normally attend. The chairman reports back to the Board regularly and at least every four months.

#### Responsibilities

- To recommend to the Board a framework of effective audit coverage, having reviewed the internal and external audit processes.
- To advise the Board on the minimum and optimum level of internal and external audit arrangements.
- To monitor internal and external audit reviews and to advise the Board accordingly.
- To investigate on behalf of the Board any financial or administrative matter which may put the LMC at risk.

## LMC AUDIT COMMITTEE ROLES AND RESPONSIBILITIES

Livestock and Meat Commission for Northern Ireland  
Annual Report and Accounts **2006/2007**

- To examine reports on special investigations and to advise the Board accordingly.
- To consider the appropriateness of executive action following internal audit reviews and to advise senior management on any additional or alternative steps to be considered.
- To ensure there is coordination and good working relationships between internal audit, external audit and any other review bodies that have been set up.
- To encourage a culture within LMC whereby each individual feels that he or she has a part to play in guarding the probity of LMC, and is able to take any concerns or worries to an appropriate member of the management team or in exceptional circumstances directly to the chair of the audit committee and DARD nominee.
- To provide minutes of all audit committee meetings for review by the Board.

## REMUNERATION REPORT

### Livestock and Meat Commission for Northern Ireland Annual Report and Accounts 2006/2007

Board Members are appointed by the Minister of Agriculture and Rural Development and detail regarding remuneration is set out in their contracts. This is subject to annual review in line with awards made by the Senior Salaries Review Body. The Department of Finance and Personnel (DFP) instructs the Commission when an annual review has been approved.

A remuneration committee was formed in July 2005, which has responsibility for senior managers' remuneration. The current members of the remuneration committee are Mr O Brennan, Mrs P Kane (Committee Chairman) and Mr N McLaughlin.

#### **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 until they reach the normal retiring age of 65. Policy relating to notice periods and termination payments is contained in each individual's contract of employment.

#### **Salary and pension entitlements (audited)**

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

## REMUNERATION REPORT

Livestock and Meat Commission for Northern Ireland  
Annual Report and Accounts **2006/2007**

Name	2006/07		2005/06	
	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
Mr O Brennan Chairman	15-20	-	15-20	-
Mrs P Kane Board Member	5-10	-	5-10	-
Mr G Orr Board Member (Until 30 September 2006)	0-5 (Full year equivalent 5-10)	-	5-10	-
Mr J McGaughey Board Member (From 1 October 2006)	0-5 (Full year equivalent 5-10)	-	-	-
Mr N McLaughlin Board Member	5-10	-	5-10	-
Mr G McCollum Board Member	5-10	-	5-10	-
Mr M White Board Member (Until 3 December 2006)	0-5 (Full year equivalent 5-10)	-	5-10	-
Mr R Watson Board Member (From 1 January 2006)	5-10	-	0-5 (Full year equivalent 5-10)	-
Mr D Rutledge Chief Executive	85-90	-	85-90	-

### Salary

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

### Benefits in kind

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

## Livestock and Meat Commission for Northern Ireland Annual Report and Accounts 2006/2007

### NILGOSC Pensions (audited)

Name	Accrued pension at age 65 as at 31/3/07 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/3/07	CETV at 31/3/06	Real increase in CETV	Employer contribution to partnership pension account
Mr D Rutledge Chief Executive	£'000 45-50	£'000 5-7.5	£'000 170	£'000 128	£'000 41	Nearest £100 -

Pension benefits are detailed in Note 22 to the accounts on page 53

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.

## REMUNERATION REPORT

Livestock and Meat Commission for Northern Ireland  
Annual Report and Accounts **2006/2007**

### **Real increase in CETV**

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

D Rutledge  
**Accounting Officer**  
3 July 2007

ANNUAL ACCOUNTS 2006/2007

## STATEMENT ON INTERNAL CONTROL

Livestock and Meat Commission for Northern Ireland  
Annual Report and Accounts **2006/2007**

### Scope of responsibility

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

The current accountability arrangements in LMC were instigated in March 2005 with the appointment of the undersigned as Accounting Officer and the implementation of a Management Statement and Financial Memorandum defining the accountability arrangements to our sponsor Department, the Department of Agriculture and Rural Development. As Accounting Officer I am supported by monthly Board Meetings, by an Audit Committee and by an Executive Committee (which comprises the Chief Executive, Head of Marketing, Technical Manager, Accountant, HR Manager, and Classification Manager), with members of that Committee producing Stewardship Reports in regard to their particular functional responsibilities. The Audit Committee comprises members of the Board. During the year, no executive or independent members served on the Audit Committee (in April 2007 a non

Commission-member was selected as Chairman).

### The purpose of the system of internal control

The system of internal control is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can therefore only provide reasonable and not absolute assurance of effectiveness. The system of internal control is based on an ongoing process designed to identify and prioritise the risks to the achievement of LMC's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised, and to manage them efficiently, effectively and economically. The system of internal control has been in place in LMC for the year ended 31 March 2007 and up to the date of approval of the annual report and accounts, and accords with DFP guidance.

### Capacity to handle risk

The Executive Committee monitors and reviews the Risk Register which is revised to reflect evolving risk issues at least twice annually. The Risk Register and the Risk Management Plans for each functional area are updated and approved by the Board as appropriate and at least annually.

## Livestock and Meat Commission for Northern Ireland Annual Report and Accounts 2006/2007

### The risk and control framework

Within each functional area, the Risk Register is maintained by the responsible Manager. These risks are discussed half-yearly by the Executive Committee and from these functional risks are drawn the Corporate Risk Register. During 2006/2007, risk priorities were:

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

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

### Review of effectiveness

As Accounting Officer, I have responsibility for reviewing the effectiveness of the system of internal control. My review of the effectiveness of the system of internal control is informed by the work of the internal auditors and the executive managers within LMC who have responsibility for the development and maintenance of the internal control framework, and comments made by the external auditors in their management letter and other reports. I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the board, and the Audit Committee. A plan to address weaknesses and ensure continuous improvement of the system is in place.

LMC's system of internal control continues to be strengthened as outlined above and we seek to continue to develop controls where appropriate. I am unaware of any other significant internal control weaknesses that need to be addressed.

D Rutledge  
Accounting Officer  
3 July 2007

# STATEMENT OF THE COMMISSION AND ACCOUNTING OFFICER'S RESPONSIBILITIES

Livestock and Meat Commission for Northern Ireland  
Annual Report and Accounts **2006/2007**

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

In preparing the accounts the Commission is required to:

- Observe the accounts direction issued by the Department of Agriculture and Rural Development including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements;

- Prepare the financial statements on the going concern basis, unless it is inappropriate to presume that the entity will continue in operation.

The Accounting Officer for the Department of Agriculture and Rural Development has designated the LMC Chief Executive as the Accounting Officer for the Livestock and Meat Commission for Northern Ireland. His relevant responsibilities as Accounting Officer, including his responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum, issued by the Department of Finance and Personnel.

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 presents the original certified statements.

## REPORT OF THE AUDITORS

### Livestock and Meat Commission for Northern Ireland Annual Report and Accounts **2006/2007**

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

I certify that I have audited the financial statements of the Livestock and Meat Commission for the year ended 31 March 2007 under the Livestock Marketing Commission Act (Northern Ireland) 1967. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and Statement of Total Recognised Gains and Losses and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having being audited.

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

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

are set out in the Statement of Accounting Officer's Responsibilities.

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

I report to you my opinion as to whether the financial statements give a true and fair view and whether the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Department of Agriculture and Rural Development directions issued under the Livestock Marketing Commission Act (Northern Ireland) 1967. I report to you whether, in my opinion, certain information given in the Annual Report, is consistent with the financial statements. I also report whether in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions conform to the authorities which govern them.

In addition, I report to you if the Commission has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by the Department of

## REPORT OF THE AUDITORS

### Livestock and Meat Commission for Northern Ireland Annual Report and Accounts 2006/2007

Finance and Personnel regarding remuneration and other transactions is not disclosed.

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

I read the other information contained in the Annual Report and consider whether it is consistent with the audited financial statements. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the financial statements. My responsibilities do not extend to any other information.

#### **Basis of audit opinion**

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the

amounts, disclosures and regularity of financial transactions included in the financial statements and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Commission and Accounting Officer in the preparation of the financial statements, and of whether the accounting policies are most appropriate to the Commission's circumstances, consistently applied and adequately disclosed.

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

## Livestock and Meat Commission for Northern Ireland Annual Report and Accounts 2006/2007

### Opinions

#### Audit Opinion

In my opinion:

- the financial statements give a true and fair view, in accordance with the Livestock Marketing Commission Act (Northern Ireland) 1967 and directions made thereunder by Department of Agriculture and Rural Development, of the state of the Commission's affairs as at 31 March 2007, and of the net deficit, recognised gains and losses and cashflows for the year then ended;
- the financial statements and the part of the Remuneration Report to be audited have been properly prepared in accordance with Department of Agriculture and Rural Development directions issued under the Livestock Marketing Commission Act (Northern Ireland) 1967; and
- The information given within the Annual Report, is consistent with the financial statements.

### Audit Opinion on Regularity

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

#### Report

I have no observations to make on these financial statements.



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

4 July 2007

## INCOME AND EXPENDITURE ACCOUNT

Livestock and Meat Commission for Northern Ireland  
Annual Report and Accounts **2006/2007**

### Income and expenditure account for the year ended 31 March 2007

	Notes	2007	2006
		£	£
<b>Income</b>			
Income from activities	2	<b>3,899,268</b>	3,793,586
<b>Expenditure</b>			
Staff and related costs	3	<b>1,462,177</b>	1,856,450
Depreciation (net of deferred grant release)		<b>63,018</b>	72,978
Other operating charges	4	<b>2,568,292</b>	1,823,412
	2	<b>4,093,487</b>	3,752,840
<b>Operating (deficit)/surplus</b>	2	<b>(194,219)</b>	40,746
Income from investments	5	<b>103,124</b>	76,718
Notional cost of capital	1 & 12	<b>(125,057)</b>	(122,635)
<b>(Deficit) on ordinary activities before taxation</b>		<b>(216,152)</b>	(5,171)
Taxation	6	<b>19,594</b>	14,531
<b>(Deficit) for the financial year</b>	12	<b>(235,746)</b>	(19,702)
Transfer to designated reserves	12	<b>(74,020)</b>	(95,332)
<b>Transfer (from)/to reserves</b>		<b>(309,766)</b>	(115,034)

All amounts above relate to continuing operations of the commission.

The notes on pages 41 to 56 form part of these accounts.

## STATEMENT OF TOTAL RECOGNISED GAINS AND LOSSES

Livestock and Meat Commission for Northern Ireland  
Annual Report and Accounts **2006/2007**

### Statement of total recognised gains and losses for the year ended 31 March 2007

	2007	2006
	£	£
(Deficit) for the financial year after notional cost of capital	(235,746)	(19,702)
Actuarial gain/(loss) in respect of defined benefit pension scheme	94,000	(168,000)
Prior year adjustments	-	(1,400,000)
Unrealised surplus on revaluation of property	72,670	180,000
<b>Total (losses) recognised since last annual report</b>	<b>(69,076)</b>	<b>(1,407,702)</b>

## NOTE OF HISTORICAL COST SURPLUS AND DEFICITS

Livestock and Meat Commission for Northern Ireland  
Annual Report and Accounts **2006/2007**

### Note of historical cost surplus and deficits for the year ended 31 March 2007

	2007	2006
	£	£
Reported (deficit) on ordinary activities before taxation	(216,152)	(5,171)
Difference between historical cost depreciation charge and the actual depreciation charge for the year calculated on the revalued amount	22,473	20,743
<b>Historical cost (deficit)/surplus on ordinary activities before taxation</b>	<b>(193,679)</b>	<b>15,572</b>
<b>Historical cost (deficit)/surplus for the year after taxation</b>	<b>(213,273)</b>	<b>1,041</b>

## BALANCE SHEET

Livestock and Meat Commission for Northern Ireland  
Annual Report and Accounts **2006/2007**

### Balance sheet as at 31 March 2007

	Notes	2007	2006
		£	£
<b>Fixed assets</b>			
Tangible assets	7	1,712,991	1,691,213
<b>Current assets</b>			
Debtors	9	996,765	660,674
Investments	10	1,347,769	1,285,054
Cash at bank and in hand		2,185,384	1,998,709
		4,529,918	3,944,437
<b>Current liabilities</b>			
Creditors: amounts falling due within one year	11	990,088	392,361
<b>Net current assets</b>		3,539,830	3,552,076
<b>Total assets less current liabilities</b>		5,252,821	5,243,289
<b>Creditors: amounts falling due after more than one year</b>			
Pension scheme creditor	22	1,650,000	1,700,000
<b>Total assets less liabilities</b>		3,602,821	3,543,289
<b>Reserves</b>			
Income and expenditure account	12	747,579	877,583
Revaluation reserve	12	919,314	869,117
Designated reserves	12	1,935,928	1,796,589
		3,602,821	3,543,289
		3,602,821	3,543,289

The notes on pages 41 to 56 form part of these accounts.

D Rutledge  
Accounting Officer  
3 July 2007

## CASH FLOW STATEMENT

Livestock and Meat Commission for Northern Ireland  
Annual Report and Accounts **2006/2007**

### Cash flow statement for the year ended 31 March 2007

	Notes	2007	2006
		£	£
<b>Net cash inflow from operating activities</b>	13	<b>182,423</b>	372,034
<b>Returns on investments</b>			
Interest received		92,864	74,042
<b>Taxation</b>			
United Kingdom tax paid		(13,771)	(12,527)
<b>Capital expenditure</b>			
Purchase of tangible fixed assets		(12,126)	(19,784)
Sale of tangible fixed assets		-	-
<b>Net cash outflow from capital expenditure</b>		<b>(12,126)</b>	(19,784)
<b>Increase in cash in the year</b>	14	<b>249,390</b>	413,765

The notes on pages 41 to 56 form part of these accounts.

## NOTES TO THE ACCOUNTS

### Livestock and Meat Commission for Northern Ireland Annual Report and Accounts 2006/2007

#### Notes to the financial statements for the year ended 31 March 2007

##### 1 Accounting policies

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

##### Accounting and disclosure requirements

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

The Government Financial Reporting Manual (FREM) requires fixed assets to be reflected in the financial statements at current cost.

##### Tangible fixed assets

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

		%
Freehold property	-	2.38
Exhibition equipment	-	20.00
Office furniture, fixtures and fittings	-	20.00

##### Income

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

## NOTES TO THE ACCOUNTS

### Livestock and Meat Commission for Northern Ireland Annual Report and Accounts 2006/2007

#### **Payment to suppliers**

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

#### **Notional costs**

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

#### **FRS 17 'Retirement Benefits'**

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

The pension scheme deficit is recognised in full on the balance sheet as a liability and as a pension scheme reserve. Contributions paid during the year are shown as movements in the liability. Other finance costs and current service costs associated with the pension scheme are recorded in the profit and loss account. Any deferred tax relating to a defined benefit liability is offset against the defined benefit liability and not included with other deferred tax assets or liabilities.

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## 2 Income and net operating expenses by activity

	Income from activities £	Net operating expenses £	Operating surplus £	2006 Total £
Levy and Other Income	1,246,077	1,338,156	(92,079)	(160,892)
EU Income	214,991	436,367	(221,376)	-
Beef Restoration Programme	452,508	452,508	-	-
Rural Payments Agency	369,422	348,511	20,911	77,218
Classification Service	690,311	576,065	114,246	140,424
FQAS Income	925,959	941,880	(15,921)	(16,004)
<b>Total</b>	<b>3,899,268</b>	<b>4,093,487</b>	<b>(194,219)</b>	<b>40,746</b>

## 3 Employee information

	2007 £	2006 £
<b>Staff costs</b>		
Salaries	1,189,773	1,460,344
Social security costs	89,271	103,291
Pension costs	165,609	214,927
Reorganisation costs	17,524	77,888
	<b>1,462,177</b>	<b>1,856,450</b>

	Number	Number
<b>Average number of persons employed by the commission during the year were:</b>		
Commission members	7	7
Classification/Agency	24	39
Administration (including levy collection)	30	33
	<b>61</b>	<b>79</b>

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### 4 Other operating charges

	2007 £	2006 £
Information services	274,916	201,025
Market development and advertising	1,953,947	1,257,559
Administration costs:		
Office expenses	258,239	237,833
Aggregate travelling and subsistence	81,190	126,995
<b>Total</b>	<b>2,568,292</b>	<b>1,823,412</b>
Office expenses include:		
Notional charges	3,551	3,000
Auditors' remuneration – for audit	7,500	7,000
– for other services	-	-
Travel and subsistence of Commission Members	4,159	6,111

### 5 Income from investments

	2007 £	2006 £
Interest on short term deposits	103,124	76,718

### 6 Taxation

	2007 £	2006 £
UK corporation tax at 19% (2006 – 19.0%)		
Based on investment income receivable during the year	19,594	14,531

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**7 Tangible fixed assets**

	Freehold land and buildings  £	Exhibition equipment, office furniture, fixtures and fittings  £	Computers  £	Total  £
<b>Cost or valuation</b>				
At 1 April 2006	1,680,000	264,866	185,314	2,130,180
Additions	-	11,000	1,126	12,126
Disposals	-	-	-	-
Indexation	33,600	-	-	33,600
<b>At 31 March 2007</b>	<b>1,713,600</b>	<b>275,866</b>	<b>186,440</b>	<b>2,175,906</b>
<b>Depreciation</b>				
At 1 April 2006	39,070	245,760	154,137	438,967
Charge for the year	40,800	9,003	13,215	63,018
Eliminated in respect of disposals	-	-	-	-
Revaluation	(39,070)	-	-	(39,070)
<b>At 31 March 2007</b>	<b>40,800</b>	<b>254,763</b>	<b>167,352</b>	<b>462,915</b>
<b>Net book value</b>				
<b>At 31 March 2007</b>	<b>1,672,800</b>	<b>21,103</b>	<b>19,088</b>	<b>1,712,991</b>
At 31 March 2006	1,640,930	19,106	31,177	1,691,213

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### 8 Capital commitments

	2007	2006
	£	£
Capital expenditure Contracted for but not provided in the financial statements	Nil	Nil

### 9 Debtors: amounts falling due within one year

	2007	2006
	£	£
Levies-Statutory	215,783	196,581
Rural Payments Agency debtor	51,404	93,818
Classification debtors	158,744	143,466
Farm Quality Assurance Scheme debtors	128,506	90,696
Corporation tax recoverable	-	807
Other debtors	74,790	72,490
Prepayments and accrued income	155,391	62,816
EC Promotions	212,147	-
	996,765	660,674

### 10 Investments

	2007	2006
	£	£
Short term deposits	1,347,769	1,285,054

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**11 Creditors: amounts falling due within one year**

	2007 £	2006 £
Corporation tax	19,594	14,576
Accruals	565,501	265,341
Deferred Income	347,492	-
Other taxation and social security	57,501	112,444
	<b>990,088</b>	<b>392,361</b>

**12 Reserves**

	Designated reserves		Total Designated Reserves £	Income and Expenditure Account £
	Farm Quality Assurance Scheme £	Classification service £		
At 1 April 2006	1,097,194	699,395	1,796,589	877,583
Deficit for the financial year				(235,746)
Actuarial gain on pension scheme liability				94,000
Notional cost of capital				125,057
Other Notional charges				3,551
Transfer from unrealised revaluation reserve to income and expenditure account				22,473
Transferred to other designated reserves	(28,357)	102,377	74,020	(74,020)
Allocation of notional cost of capital	38,581	26,738	65,319	(65,319)
<b>At 31 March 2007</b>	<b>1,107,418</b>	<b>828,510</b>	<b>1,935,928</b>	<b>747,579</b>

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	Unrealised revaluation reserves
At 1 April 2006	869,117
Surplus on revaluation of fixed assets at year end	72,670
Transfer from unrealised revaluation reserve to income and expenditure account	(22,473)
<b>At 31 March 2007</b>	<b>919,314</b>

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

	2007 £	2006 £
Operating (deficit)/surplus	(194,219)	40,746
Depreciation charge	63,018	72,978
Actuarial gain/(loss) recognised	94,000	(168,000)
(Increase) in debtors	(326,636)	(30,966)
Increase in creditors	542,709	454,276
Notional charge	3,551	3,000
Profit on disposal of tangible fixed assets	-	-
<b>Net cash inflow from operating activities</b>	<b>182,423</b>	<b>372,034</b>

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### 14 Reconciliation of net cash flow to movement in net debt

	2007 £	2006 £
Increase in cash for period	249,390	413,765
Net fund at 1 April 2006	3,283,763	2,869,998
<b>Net fund at 31 March 2007</b>	<b>3,533,153</b>	<b>3,283,763</b>

	At 1 April 2006 £	Cash Flow £	At 31 March 2007 £
Cash at bank and in hand	1,998,709	186,675	2,185,384
Investments	1,285,054	62,715	1,347,769
	<b>3,283,763</b>	249,390	<b>3,533,153</b>

### 15 Corporate financial targets

The Commission receives no government funding and no financial targets are set by the Department of Agriculture and Rural Development. As required by the Management Statement and Financial Memorandum, LMC's business plan for the year was approved by DFP.

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

### 16 Losses and special payments

There were no losses or special payments in the year.

### 17 Related party transactions

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

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In addition LMC is a one-eighth owner of Northern Ireland Food Chain Certification (NIFCC) and is represented on the board of directors. During the year LMC provided accounting, administration and human resources services to the company valued at £74,500. NIFCC provided LMC with inspection services and marketing information during the year valued at £736,917. The amount due to NIFCC at 31 March 2007 was nil.

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

#### **18 Post balance sheet events**

The Annual Report and Accounts were authorised to be issued and laid in the Northern Ireland Assembly and Houses of Parliament on 6th July 2007. There are no significant post balance sheet events arising.

#### **19 Contingent liabilities**

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

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**20 Intra Government Balances**

	Debtors: amounts falling due within one year £	Debtors: amounts falling due after more than one year £	Creditors: amounts falling due within one year £	Creditors: amounts falling due after more than one year £
Balance with other central government bodies	51,404	-	77,095	-
Balances with local authorities	-	-	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Balances with bodies external to government	945,361	-	912,993	1,650,000
<b>At 31 March 2007</b>	<b>996,765</b>	<b>-</b>	<b>990,088</b>	<b>1,650,000</b>
Balance with other central government bodies	94,625	-	127,020	-
Balances with local authorities	-	-	-	-
Balances with NHS Trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Balances with bodies external to government	566,049	-	265,341	1,700,000
<b>At 31 March 2006</b>	<b>660,674</b>	<b>-</b>	<b>392,361</b>	<b>1,700,000</b>

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### **21 Financial instruments**

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

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

#### **Liquidity risk**

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

#### **Interest rates and foreign currency risks**

All LMC's material assets and liabilities are denominated in sterling, so it is not exposed to interest rate risk or foreign currency risk. Exchange rates for invoices raised in a foreign currency are fixed with the bank prior to payment to counteract fluctuations in the financial markets.

#### **Fair values**

There is no material difference between the book values and fair values of LMC's financial assets and liabilities as at 31 March 2007.

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### 22 Pension scheme information

Pension benefits are provided through the Northern Ireland Local Government Officers' Superannuation Committee Scheme (the NILGOSC Scheme). This scheme is a 'multi-employer' pension scheme with some sixty-five thousand members. It provides a final salary (ie.defined benefits) pension scheme for eligible employees and other members of the scheme. This is a tax approved scheme which provides benefits on reckonable service and the pensionable pay in the year to retirement or either of the two previous years if higher, at a normal retirement age of 65. Benefits accrue at a rate of 1/80th of pensionable pay for each year of reckonable service and a lump sum retiring allowance at a rate of 3/80ths of pensionable pay for each year of reckonable service. Employees pay contributions of 6% of pensionable earnings. All pensions are reviewed annually in April under the Pension Increase Legislation and increased in line with inflation. On death of a member, widows receive a pension paid at a rate of one half of the husband's pension at the date of death. Widowers receive a pension paid at a rate of one half the proportion of pension at the date of death which related to the wife's post 5 April 1988 service. On death in service, there is a lump sum payment due to employee's estate of two years' pensionable pay. If the employee has at least 2 years service, the surviving husband or wife will receive a short- and long-term pension. To finance these benefits, assets are accumulated in the scheme and are held separately from the assets of the employers.

An actuarial valuation of the scheme was carried out as at 31 March 2004. At that date there was a deficit in the scheme, which will require to be recovered by increasing the employers' contribution rates. The contribution rates set by the Actuary for the three years to 31 March 2008 will increase annually to 8.5%, 11% and 13% respectively. However, these rates increases will not recover any part of the deficit and its recovery is therefore delayed until the next three-year period from 1 April 2008. A target rate of 17.3% is currently anticipated but will be recalculated and confirmed at the next valuation.

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The principle assumptions used by the independent qualified actuaries in updating the valuation to 31 March 2007 for FRS17 purposes were:

	2007 %	2006 %	2005 %
Rate of salary increases	4.7	4.6	4.4
Discount rate	5.4	4.9	5.4
Inflation assumption	3.2	3.1	2.9
Pension increases	3.2	3.1	2.9

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

	Long-Term rate of return expected at 31 March 2007 %	Value at 31 March 2007 £	Long-Term rate of return expected at 31 March 2006 %	Value at 31 March 2006 £	Long-Term rate of return expected at 31 March 2005 %	Value at 31 March 2005 £
Equities	7.8	4,141,000	7.4	4,100,000	7.7	3,100,000
Bonds	4.9	775,000	4.6	600,000	4.8	500,000
Property	5.8	565,000	5.5	400,000	5.7	400,000
Cash	4.9	63,000	4.6	100,000	4.8	100,000
Total market value of assets		5,544,000		5,200,000		4,100,000
Present value of scheme liabilities		7,194,000		6,900,000		5,500,000
Deficit in scheme		(1,650,000)		(1,700,000)		(1,400,000)
Net pension deficit		(1,650,000)		(1,700,000)		(1,400,000)

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Analysis of the amount charged to operating charges

	2007 £	2006 £
Current service cost	167,000	216,000
Past service cost	-	-
(Gains)/losses on settlements and curtailments	74,144	-
<b>Total operating charge</b>	<b>241,144</b>	<b>216,000</b>

Analysis of the amount credited to operating charges

	2007 £	2006 £
Expected return on pension scheme assets	(360,000)	(293,000)
Interest on pension scheme liabilities	347,000	304,000
<b>Total operating (credit)/charge</b>	<b>(13,000)</b>	<b>11,000</b>

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

	2007 £	2006 £
Actual return less expected return on pension scheme assets	(62,000)	781,000
Experience (losses) arising on scheme liabilities	(100,000)	(19,000)
Gains/(losses) arising from changes in assumptions underlying the present value of scheme liabilities	256,000	(930,000)
<b>Actuarial gain/(loss) recognised in the statement of total recognised gains and losses</b>	<b>94,000</b>	<b>(168,000)</b>

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

	%	2007 £	%	2006 £
Actual return less expected return on pension scheme assets	(1.1)	(62,000)	14.9	781,000
Experience (losses) arising on scheme liabilities	(1.4)	(100,000)	(0.3)	(19,000)
Actuarial gain/(loss) recognised in the statement of recognised gains and losses	1.3	94,000	(2.4)	(168,000)

Analysis of movements in deficit during the year

	2007 £	2006 £
At beginning of year	(1,700,000)	(1,400,000)
Current cost service	(167,000)	(216,000)
Employers' contributions	184,144	95,000
Impact of settlements and curtailments	(74,144)	-
Net return on assets	13,000	(11,000)
Actuarial gain/(loss)	94,000	(168,000)
<b>At end of year</b>	<b>(1,650,000)</b>	<b>(1,700,000)</b>

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