Livestock and Meat Commission for Northern Ireland

Annual Report and Accounts
for the year ended 31 March 2011

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

15 December 2011

Livestock and Meat Commission for Northern Ireland

Annual Report and Accounts
for the year ended 31 March 2011

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

15 December 2011

ISBN 9780337097386

Printed in the UK by The Stationery Office Limited
on behalf of the Controller of Her Majesty's Stationery Office

PC2971 12/11

Contents

This document may be made available in a range of formats such as large print, e-mail or minority languages. If you have any individual requirements please let us know and we will do our best to assist you.

Chairman's Statement

I am pleased to present the forty fourth Annual Report of the Livestock and Meat Commission for Northern Ireland (LMC). This report covers the period 1 April 2010 to 31 March 2011.

The past year at one level has been another one of reasonable stability for the Northern Ireland beef and sheepmeat industry. In comparison, however, to a broad range of agricultural activities, beef production at farm level has not faired well. Against a background of continuing increases in costs of feed, fuel and fertiliser, farmgate prices for finished cattle were behind those of the prior year. This has been particularly difficult to understand against the backdrop of most agricultural sectors achieving significant progress in farmgate prices, but more particularly, against evolving world trade developments where the supply/demand relationship for beef should have favoured producers.

The sheepmeat sector saw a different outturn at farmgate level, with prices achieved being found to be entirely satisfactory to the majority of sheep farmers. Perhaps as a consequence of this, however, processors have been squeezed very tight between high farmgate prices and price pressures from their customers. The significance of the cessation of sheep processing by, what has for many years been by far the largest sheepmeat processor in Northern Ireland, cannot be underestimated. The consequential loss to the Northern Ireland economy and our industry of up to one third of our sheepmeat processing does not auger well for the future stability of the sector. With about two thirds of our sheep farmers now dependent on live exports into a different currency area, there is bound to be volatility in this sector in the future.

It is also clear that a further contrast between beef and sheepmeat is emerging at the level of consumer demand. Throughout the period of recession consumption of beef has held up remarkably well, and this may of course have been influenced by the competitive pricing. However, sheepmeat consumption has seen continuing decline in most European markets, as the retail price has increased to reflect the very strong farmgate prices.

I have been privileged, during the year, to chair the initial meetings of the Northern Ireland Red Meat Strategic Forum (RMSF). The forum has succeeded the Northern Ireland Red Meat Task Force, and is structured around three core groups dealing with production related matters, processing and market related matters, and issues of environment and climate change. I am pleased to have noted strong industry support for the forum, and active participation in each of these sub-groups as they have got up and running. We do expect that further useful work will develop within this forum.

In January 2011 the Minister announced her conclusions in regard to the LMC Review process, which had been under way for the previous two years. I and the LMC Board shared the major industry disappointment with the outturn. All within LMC were geared up for a dynamic new future in the commercial world, and the Minister also acknowledged in her announcement that the adoption of the review report recommendations would have been the preferred outturn, however, economic circumstances did not allow Government to meet the budgetary resource requirements to implement the recommendations.

It is a fact that LMC must deal with the evolving circumstances within the industry. LMC have a long and proud tradition of service to the Northern Ireland beef and sheepmeat industry. Through good times and bad, LMC's management, and employees have delivered services ranging from classification, quality assurance, intervention purchasing and sales, and operation of the BSE market support schemes – the Over Thirty Month Scheme and more latterly the Older Cattle Disposal Scheme. These activities have been in addition to the core statutory duties to provide information to the industry to provide support of various forms in the marketplace, and to advise Government in regard to the sector. As the industry has matured and moved forward and as technological developments have taken place the industry's needs have changed, and LMC will respond. The outturn of the review while disappointing to many, is one to which the LMC Board must respond to positively and dynamically.

Going forward, the challenge to the LMC Board is to undertake a major reform of LMC to deliver the services requested by stakeholders. Following the year reported upon, a voluntary redundancy programme has been in place which has been availed of by staff. This has been complimented by a compulsory redundancy scheme. The new streamlined LMC will be tailored to deliver the services requested by stakeholders during the review process, namely:

- Market Information services including the LMC Bulletin and Text messaging service
- Farm Quality Assurance management including advice on dealing with inspections
- Generic local promotion and marketing, in particular the schools activity (International marketing and promotion has been taken on by Invest NI)
- General industry services e.g. addressing carbon footprint issue, Red Meat Strategic Forum

The review process has coincided with the retirement of the Chief Executive and Technical Director and a comprehensive redundancy process involving the former Field Services department.

David Rutledge was appointed Chief Executive of LMC in late 1995 when the Northern Ireland beef trade was at its zenith; one of the highest priced regions in Europe. That was all to end with the export ban in March 1996 and while prices tumbled and chaos prevailed with the cattle cull scheme, David provided great leadership to the industry, and the LMC field staff of the time were instrumental in getting the cull going and overseeing an unexpected return of intervention purchasing for beef. No doubt the years at the head of a substantial PLC had developed in David an ability to think and act quickly and decisively and the ability of LMC to respond to the needs of stakeholders was the feature of David's time with LMC. The same flexibility was demonstrated again in the Foot and Mouth crisis of 2001.

In terms of industry initiatives there were many but a couple deserve special mention. Firstly the establishment of FQAS on a professional level and the establishment of NIFCC will be a great legacy to the industry long after all of us are gone, and I would suggest there is no better model for delivery of professional services to industry anywhere than NIFCC. The other landmark initiative that I will highlight was the establishment of the NI Red Meat Task Force, and keeping on board such a diverse collection of people that engaged one of the world's leading consulting houses for an in depth look at our industry.

Their findings were not the news we may have wanted but it was necessary to hear. Specialised suckler beef production needed and still needs to move to a different price orbit for viability and while this is difficult it isn't impossible if we look at how sheep have led the way.

David hails from a farming background and I know he retains a sufficiently strong farming interest that will continue to nurture his interest in the red meat industry and its issues into what I expect will be an active retirement.

A new Chief Executive will be appointed to lead a small specialist team to deliver the above services.

The LMC Board has also recommended to DARD that the Board should be reduced from the present seven to five. This would be comprised of two processor and two farmer representatives with an independent Chair, delivering a 20% reduction in Board costs. LMC has also engaged in constructive discussions with DARD on addressing the long running issues of access to reserves and pension costs for which a positive resolution is expected. Furthermore, the reduction in staff numbers will result in spare capacity in Lissue House which LMC will attempt to rent out to off-set premises running costs.

LMC has been privileged to have been served by a group of dedicated and capable employees at all levels. As we have concluded our classification service, and continued to progress other re-organisation arising from the decline of our commercial business and in response to the review outturn, we would wish to record our grateful thanks for all of those who have served us and the industry faithfully; in some instances for many years, for their massive contribution to the betterment of our sector's farmers, processors, and the wider industry.

We wish each and every one of those departing our employment, as a consequence of all of these changes, health, happiness and success, as they embark on a new phase of their lives. We wish those who are seeking new employment much success in that endeavour, and we will have no hesitation in providing any prospective new employer with references that are worthy of the commitment and loyalty shown throughout their service with LMC.

I look forward to working with the industry representative bodies, the Board and staff to finalise the major, and fundamental re-structuring which we are going through, and to position ourselves to continue to provide excellent value to our stakeholders for the funds which they provide to us to work on their behalf.

LMC has throughout its history served industry by responding to stakeholder needs and at various times this has involved expansion and contraction. The present downsizing in response to stakeholder requirements represents a continuation of this tradition.

Pat O'Rourke

Patrick O'Rourke
Chairman
28 September 2011

Review of the Year

The UK economy enjoyed a return to economic growth during the year, although the recovery remains uncertain. In the third quarter the economy contracted and concerns remain about the impact of the government's austerity budget. In spite of this, beef demand remained relatively stable although lamb demand came under significant pressure due to reduced availability and rising retail prices.

Farmgate prices for cattle remained remarkably stable for most of the year, but rising input costs have become a major issue for both beef and lamb producers, with significant increases in the cost of feed, fuel and fertiliser. As a result profitability, particularly for cattle producers, has remained under pressure at farm level, despite rising producer prices since the turn of the calendar year.

The increased costs were compounded by some of the most severe winter weather in living memory. The extreme cold which was followed by a damaging thaw added significant costs to the industry in terms of fallen stock, greater fuel usage, water leaks and added labour costs.

Farmgate prices rise in final quarter

Over the year, the global red meat market was characterised by limited global supplies and strengthening demand from emerging markets. Most agricultural commodities saw stronger returns to producers. Despite this, the red meat trade generally stagnated in the EU in 2010, with prices similar to 2009 levels. Elsewhere in the world, the beef trade steadily improved, with prices in South America, Australia and the USA advancing towards EU levels.

In Northern Ireland, strong availability of prime cattle meant that farmgate prices were two per cent lower between April and December 2010 compared to the same period in 2009. However, with supplies tightening and input costs rising as the year progressed prices rose sharply and in the final quarter [of the 2010/11 financial year], overall prime cattle prices were five per cent higher than last year [2009/10 financial year]. Farmgate sheep prices were nine per cent higher in 2010/11 compared to 2009/10 with reduced supply the main reason for the improved trade.

Rising costs of production

With the global economy now in recovery mode, food price inflation and food security have re-emerged as significant local and international concerns. Agricultural input costs have also risen throughout the year with increased demand from emerging economies, reduced supply, speculation and Middle Eastern unrest combining to push up feed, fuel and fertiliser prices.

Rising input costs was the single greatest business challenge facing red meat producers in NI this year. Agricultural Inflation figures produced for the six months between August 2010 and February 2011 showed that the cost of beef and lamb production in the UK rose by six per cent (Anglia Farmers) with further increases likely.

Consolidation in the suckler herd

While producers have continued to struggle with lack of profitability over the last year, there has been some evidence of improved confidence in the beef sector with a stabilisation of suckler cow numbers. In June 2010, suckler cow numbers were one per cent higher compared to 2009 and beef-sired calf births were one per cent higher over the last year. Dairy-sired calf births increased by three per cent compared to last year.

While the ongoing decline in breeding ewe numbers has continued over the last year, the rate of decline has slowed. In June 2010 breeding ewe numbers were two per cent lower compared to 2009.

The economics of beef production from the suckler herd remains highly dependent on farmers continuing to use their Single Farm Payment to subsidise production. The European Commission's detailed legislative proposals on CAP reform are scheduled to be published in 2011/12. These proposals and their corresponding implementation at member state level will have a significant bearing on farm incomes post-2013 and will determine the future size and shape of the NI beef and sheepmeat industries.

Increase in Cattle Slaughterings

The gradual decline in the size of the NI suckler herd over recent years has had an inevitable impact on the availability of beef cattle for slaughter in NI. However, in 2010/2011 there was a two per cent increase in slaughterings, which coupled with an increase in average carcase weights led to an increase in NI beef production of three per cent compared to 2009.

The increased throughput was largely driven by more availability of dairy bulls and a greater level of imports of store cattle from the Republic of Ireland onto local farms for finishing. Young bull slaughterings increased by 23 per cent in 2010/2011. Imports of cattle from ROI onto NI farms were 36 per cent higher in 2010 compared to 2009. The prospects for the current level of dairy bull slaughterings to be sustained are reduced due to greater export activity, with a doubling of calf exports to the continent in 2010. The evolution of Northern Ireland processor payments for cattle is likely also to reduce the production of bull beef.

Sheep - strong live export trade

Sheep supplies remain constrained on a global basis in 2010/11 and local availability continues to dwindle. Reduced throughput was cited as the main reason for the closure of the largest lamb processing operation in Northern Ireland in July and with sheep numbers also falling in ROI competition has intensified for locally produced lamb.

Approximately two thirds of NI lamb production was exported to the Republic of Ireland in the second half of the year, compared to one third in the same period last year. As a result of this and reduced availability generally, lamb slaughterings were 41 per cent lower this year. Overall sheepmeat production was down by 39 per cent compared to last year.

Stable consumer demand for beef

In GB, our principle market, consumer demand for beef remained similar to the previous year, despite the emergence from recession. Total consumer expenditure on beef was up by one per cent, a consequence of increases in average retail prices and volume sales.

Mince, stewing and casserole products remained dominant, particularly during the extremely cold weather in December, when there was a sharp increase in beef purchases. Competition from more intensive sectors such as pork and chicken remained an ongoing issue, although producers of grass-fed beef and lamb producers will be relatively more sheltered from further increases in feed costs in 2011/2012.

Consumer expenditure on lamb declined sharply in GB over the course of 2010/11. Reduced availability of lamb and higher prices were the key factors in the 14 per cent decline in volume sales and seven per cent decline in expenditure. The decline in lamb sales accelerated as the year progressed, with 26% reduction in volume sales in the last quarter. (Kantar data for 52 weeks ending 20 March 2011).

LMC Review

As reported in our last three annual reports there remained a need for significant changes in the structure and operations of LMC. Government rules, as currently interpreted, severely constrained the effectiveness and efficiency of LMC in providing support for our levy paying stakeholders. However, on 20 January 2011 the Minister announced the outcome of the protracted review process. The conclusion was that LMC should remain as a Non-Departmental Public Body, but with a number of reforms to be contemplated to render LMC more fit for purpose going forward.

The background to the need for review has been the steady decline over recent years in LMC's activities. Historically LMC has enjoyed a substantial volume of business from the Rural Payments Agency (RPA) and its predecessor the Intervention Board. This included intervention buying and selling, operation of the Over Thirty Month Scheme, and the Older Cattle Disposal Scheme in Northern Ireland, and a range of other support activities for RPA. In addition, LMC has provided a classification service for the industry, and has run the Northern Ireland Beef and Lamb Farm Quality Assurance Scheme.

LMC's turnover peaked in 2008 at circa £4.5 million, but projecting forward it is likely to be closer to £1.5 million pounds. The final major step in this decline was the exit from the provision of a classification service. The change in the scale of activity has gradually brought about the need for major re-structuring of overheads, and a refocusing on how LMC could best serve its stakeholders in a new era.

The industry expressed its preference for the privatisation of LMC, which would have relieved the organisation of a number of constraints imposed by its Government ownership. The conclusion of the review, however, was that while privatisation was also the preferred option for Government, the inability of DARD to provide the resource cover for the costs (mainly the NILGOSC pension cessation costs) rendered the privatisation to be unaffordable. However, as part of her announcement the Minister set up an "Implementation Group" to identify, and to initiate a reform programme that would realign LMC with the needs of its stakeholders and future activities.

Among the issues being considered by the Implementation Group are:

- A re-examination of marketing initiatives to determine whether they could be made compatible with State Aid Rules.

- The options for dealing with LMC's pension deficit.
- Work is underway with DARD to make an application for a re-classification of the LMC's accounts which, if successful, would provide the LMC with more in-year flexibility.
- An examination of whether the significant additional costs associated with LMC being part of Government (rather than private sector) could be reduced.

At time of writing this report the above matters have not been concluded, however, the Board, recognising the scaling down of operations, has initiated a programme of redundancies and retirements with a view of reducing overhead costs. There is also a proposal from the LMC Board to DARD that the forward LMC Board costs should be reduced by circa 20%.

Classification

LMC provided a classification service to Northern Ireland abattoirs for approximately twenty years, but this service came to an end at 31 March 2011. It is appropriate to record, in this report, the immense contribution which this work has made to the industry.

The classification, or grading of animals at slaughter, has been at the forefront of fixing the value of an animal purchased from a farmer by a processor for slaughter in Northern Ireland abattoirs. The implementation of the European Classification Standards under scrutiny by DARD as the competent authority, and doing this day in and day out throughout the slaughter plants of Northern Ireland has been an immense task. LMC's officers operating at the interface between meat plant owners and buyers, and farmers has often been controversial and difficult for those officers; the farmers always wanting the best possible grade on their animals, and the meat plants wanting to procure best value for their businesses, with LMC classification staff exercising that crucial judgement. On balance most parties have found those judgements to have been fair and correct.

Alas, however, time does not stand still, and new computer-based machines, using Video Image Analysis (VIA) technology are now capable of grading cattle in accordance with European Regulations, and the seven major slaughter plants, who have been customers of LMC, have, from the beginning of April, been using such technology which is now licensed by DARD for use.

LMC would wish to pay tribute to its classification staff who have served the industry robustly over the last two decades. Their dedication to meeting industry needs, often through very long hours, and often in a thankless environment, where few were prepared to commend them - most only seeking to criticise them. We wish each and every one of these staff well as they move to retirement or to the next stage of their careers. Some have already secured employment, but others regrettably, will be seeking to find new careers in a difficult employment environment.

Outturn for the Year

The accounts for the year are set out on pages 52 to 75. The reported surplus, including notional adjustments, for the year was £1,072,781 as set out in the income and expenditure account on page 52. A detailed analysis of the individual activities of LMC before the notional adjustments is shown on page 67 at Note 7. This note shows a result for the year which in Government accounting terms, when we add back depreciation, gives effectively a balanced outturn between income and expenditure for the year.

In order to achieve the Government's target of balancing the budget, LMC had to curtail its major discretionary spend in marketing activities and accumulate levy monies in its reserves so that the FQAS and Classification reserves could be used to fund, respectively, the FQAS deficit and the classification severance costs.

While the balance sheet on page 53 shows a significant gain from the prior year, this is represented mainly by movements in the FRS17/IAS19 definition of our pension deficit. It should be noted that this figure is substantially below the cessation quotation given by the pension actuaries as part of the LMC review process. It should further be noted that there remains some £765,584 of designated reserves within the classification accounts. This reserve must be set against the pension cessation costs attributable to the classification activities of LMC. While at time of writing no final decision has been made in regard to how best to deal with the pensions issues in LMC in the future, the option of ceasing participation in the NILGOSC pension fund has been determined by the LMC Board as the best outturn, but the process of activating this decision requires various Government approvals, which at time of writing this report are still awaited.

Pat O'Rourke

Patrick O'Rourke
Chairman
28 September 2011

Summary of Achievement of Core Objectives 2010/11

Organisational Purpose

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 (DARD). The Act tasks LMC with the general duty of examining and recommending improvements in the marketing of livestock and livestock products. To defray LMC's expenses, the Act provides for the imposition of levies on livestock slaughtered in or exported from Northern Ireland.

Vision

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

Mission

LMC serves the Northern Ireland beef and sheepmeat industry.

Values

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

Strategic Objectives 2007 - 2010

Highlights in our performance against the year's business objectives in contributing to the achievement of our strategic objectives are set out in the table below.

Summary of Achievement of Strategic Objectives – 2010/11

LMC has five Strategic Objectives. Supporting these are Business Objectives for the financial year 2010/11. In order to monitor these objectives individual targets were identified. Of the targets neither not completely achieved, or not achieved, none had any material implications for delivery of the LMC business plan, nor did they compromise LMC's legal or legislative obligations. For further information on the monitoring of 2010/11 business objectives please contact LMC.

The table below sets out the performance highlights for the year 2010/11

Strategic Objectives	Performance Highlights in 2010/2011
Plan and implement the agreed outturn of the LMC Review, with an initial target of March 2011 for completion.	• Business Case prepared and Minister's decision received 21 January 2011. • Restructuring of LMC has commenced but not completed by year end.
In the event of wind-up, LMC will continue to support the industry in the interim period, with an emphasis on those activities deemed within the review report to be most important. All activities will be transferred, as agreed within the industry, within the agreed timeframe.	• Independent certification body appointed for the NI Beef & Lamb FQAS following public tender process. • New edition of FQAS Product Standard produced and circulated to all participants. • LMC Board & FQAS Industry Board agreed to defer increases in FQAS membership fees until 2012/13 until it becomes clear whether LMC has achieved freedom to manage its budgets commercially, or whether a new FQAS Company is to be established outside Government by the industry to take ownership of the Scheme. • Assured Food Standards Red Tractor Assurance Harmonisation format for FQAS discussed with and rejected by FQAS Industry Board. • Continued to provide EU price reporting service to RPA.

In the event of non-adoption of the review report, by the Minister, seek to best position its commercial activities outside of Government, and in line with producer and processor recommendations contained within the review report. In this event, LMC & DARD will carry out a comprehensive review of levies, their use, collection and quantum.	• Internal review with DARD on levy use, quantum, and collection –being debated at Review Implementation Group meetings. • LMC Chief Executive attended FSA stakeholder meetings to develop the potential of providing Meat Inspection Services to the industry more efficiently. • Implementation Group started consideration of methodology for collecting levy on live exports of cattle and sheep.
While it continues, as an NDPB, seek to use its levy funding in a manner that delivers best possible value to the levy payers, in full compliance with European State Aid Rules, and Northern Ireland Government directives.	• Recipe PR campaign achieved positive nutritional messages on behalf of NI Farm Quality Assured beef and lamb. • 2 radio campaigns across 6 NI stations - 82% of target audience agreed it is important they buy Northern Ireland Farm Quality Assured beef & lamb. • "The Facts about Red Meat" booklet published highlighting the NI red meat industry's care for the environment and the nutritional benefits of beef and lamb.
Seek to communicate with LMC stakeholders on all matters affecting the industry, including the evolution of LMC, and its access to and use of industry funds, in an open and transparent manner in order to maximise the understanding of both LMC and industry issues.	• Dissemination of relevant information to the whole supply chain via the LMC Bulletin, websites, press articles, text messaging service. • Joint industry seminar held with InvestNI on GIRA's report on Long Term Strategic Trends in the Red Meat Industry • Bulletin articles, press releases & DVD prepared on the introduction of VIA.
End its provision of a full manual classification service within a timetable that meets the industry's needs in regard to the adoption of mechanical grading. Furthermore, LMC will seek to facilitate the provision of an appropriate oversight service in abattoirs, either through direct engagement, or through assisting the establishment of another competent provider, as agreed with the industry.	• LMC's full manual classification service ended and VIA commenced 28 March 2011. • No oversight service to be provided by LMC. DARD has agreed more intensive oversight of grading/trimming of carcasses in abattoirs.
Assist the Northern Ireland industry in achieving optimum competitive advantage within the domestic	• Beef & lamb sampled across 4 multiple retailers

market.	• Transferred organisation of SIAL Food Fair & international export development activities to InvestNI.
Provide information support to the Northern Ireland beef and sheepmeat industry.	• Implemented LMC's educational programme of 220 beef & lamb cookery demonstrations in schools
Advise Government with regard to the needs of the industry, with particular focus on the need for a "level playing-field" for legislation and standards, regionally, nationally, and internationally.	• Led the establishment of NI Red Meat Strategic Forum and its three sub groups • Agreed Strategic Forum response to FSA consultation on Charges for Official Controls on Meat • Participated in DARD's Evidence & Innovation Strategy Meeting • Participated in DARD Agriculture & Forestry Greenhouse Gas Stakeholder Group • Organised an Industry Seminar on climate change for NI Red Meat Strategic Forum • Finalised and launched the Industry Feed Assurance Group report, 'Assuring Food Safety in Northern Ireland' which is a united industry response to the Dioxin Crisis of December 2008

Marketing Department Report

One of the major challenges facing the Northern Ireland red meat industry during the year was the continued focus on the role of red meat production and the environment. In recognition of this fact, the LMC marketing department produced two radio commercials in defence of the industry; one for beef and one for lamb; highlighting the importance of red meat in a balanced diet and the role Northern Ireland Beef & Lamb Farm Quality Assured farmers play in caring for the environment. Broadcast across 6 radio stations in Northern Ireland, independent research demonstrated that both executions were extremely effective with 61% advertising awareness after just three weeks, 88% of respondents agreeing that Northern Ireland Farm Quality Assured beef is good for the environment, and 82% that it is important they buy Northern Ireland Farm Quality Assured.

In addition we produced a consumer information booklet entitled “The Facts About Red Meat”, to clearly set the debate about greenhouse gas emissions into context, highlighting that although Northern Ireland’s agriculture sector forms 21% of our total greenhouse gas emissions, this is due to the high predominance of the agriculture industry in our economy, and that although cattle and sheep produce methane as part of the natural process of consuming grass they have been doing this for hundreds of years.

The booklet emphasises the environmental benefits of well managed grassland, and makes the point that the NI beef and sheep industry produces food of high nutritional quality for a growing world population from grass on land that would otherwise be unsuitable for producing other crops, in contrast to some alternative meats that are predominantly produced from cereals - which could be eaten by people.

The “Facts About Red Meat” was launched on the LMC stand at Balmoral Show and the key messages and imagery formed the refurbished backdrop to the stand. The booklet was also distributed in schools throughout Northern Ireland and during retail sampling.

LMC continued to promote the quality, safety & traceability of Northern Ireland Farm Quality Assured beef and lamb across Northern Ireland in a programme of supermarket sampling activity, reaching approximately 25,000 shoppers, across 40 stores. The panel of LMC home economists demonstrated the preparation of LMC beef and lamb recipes instore and provided samples to shoppers, whilst conveying information on the importance of red meat in a balanced diet. This work was complimented by promotional staff handing out recipe leaflets and leaflets on the importance of the Northern Ireland Farm Quality Assurance Scheme and its benefits to consumers.

LMC's highly respected educational programme continued throughout the year reported, with 220 beef and lamb cookery demonstrations being conducted in Home Economics classes in secondary schools across Northern Ireland. As a central part of the demonstrations, LMC's demonstrators teach tomorrow's consumers the role of red meat in a balanced diet and the importance of seeking out Northern Ireland Farm Quality Assured beef and lamb as an indicator of quality. The demonstrators also show pupils how to select the correct beef and lamb cuts and how to prepare beef and lamb recipes that are tasty, convenient and nutritious to fit into today's busy lifestyles. To spread these important messages further, LMC coordinated consumer PR activity, which achieved significant editorial coverage and Ministerial support. A further PR campaign focussed around the distribution of approximately 100,000 recipe leaflets promoting NI Farm Quality Assured beef, achieving positive print and broadcast coverage.

Further afield, LMC continues to support L'Agneau Presto, a promotional campaign highlighting the versatility of lamb in one of our key export markets, France. Similarly, LMC is an active member of the joint levy body initiative Meat Matters, which promotes the benefits of red meat in the diet to consumers throughout the UK, developing positions to combat negative press coverage regarding health scares and putting forward positive messages about the importance of red meat in the diet.

Balmoral Show marked the launch of an LMC dvd for producers explaining the imminent introduction of video imaging analysis and the automated cattle classification process. For those producers who could not attend the demonstrations of VIA trials, the objective of the dvd was to demonstrate how the machine operated and explain the concept of the 15 point grading system. It featured on the LMC website and complimented LMC's other sources of market information for producers; the LMC Bulletin, answerphone and text messaging service. In addition, LMC continues to issue press releases to the agri-press to inform levy payers about LMC's activities on behalf of the industry and other industry issues. Over the year reported upon, this resulted in over 175 "opportunities to see" in the farming press.

In response to industry feedback as part of the LMC review, export development activities have been moved to InvestNI, and a meeting took place to hand over the coordination of SIAL on behalf of the Northern Ireland red meat industry. LMC has also assisted InvestNI with a technical brochure of meat cuts for use in promoting Northern Ireland in export markets. In addition, LMC worked with InvestNI in supporting an industry seminar on the Long Term Trends in the Global Meat Market, with analysis by the highly respected agency, GIRA.

Finally, LMC continues to participate in the UK Export Certification Partnership; a joint initiative between Government and industry which works towards the agreement of health certificates allowing the export of both beef and sheepmeat and live exports to third countries. During the year 21 export health certificates were made available for beef to Albania, Jersey, Kosovo, Turkey and the remainder to various Western and Southern African countries. The recent success in gaining access to South Africa is particularly pleasing.

Technical Department Report

Northern Ireland Red Meat Industry Task Force

The Northern Ireland Red Meat Industry Task Force (Task Force) announced in September 2010 that it was concluding its formal working arrangements for overseeing implementation of the strategic recommendations of the Task Force Strategy Review which was published in October 2007. Throughout the period of its operation the Task Force's clear and absolute focus on the full economic viability of the industry has been a necessary step in moving to a point where the total costs of beef and sheep production are now recognised as the real measure of industry profitability. The Task Force provided a unique opportunity for industry and government stakeholders to tackle strategic issues for the benefit of the red meat sector and a number of already well established working groups will continue to drive forward a range of development projects that were initiated by the Task Force such as the Knowledge & Technology Transfer Demonstration Farm at Greenmount Campus' Abbey Farm, the Bovine Information System (BovIS) and the Grass / Clover Monitor Farm programme.

LMC provided strategic leadership and facilitation to the Task Force project from its inception to conclusion and during the 2010/11 reporting period undertook, in conjunction with DARD, a Post Project Evaluation to determine value for money of the total £750k investment in the project. In the calendar year 2008, after publication of the Strategic Review, when the findings had their greatest and widest dissemination, average cattle prices were 238.2p/kg. This was 50.7p/kg higher than average cattle prices in 2007 (187.5p/kg), the year in which the Strategic Review was published. During 2008 140,376,906 kilograms of beef were produced in NI factories. If the total cost of the Task Force investment (£750k) was to be evaluated in the first year following the Strategic Review publication (2008), an increase of 0.5p/kg in beef price alone would have been sufficient to cover that investment. As the report was highly influential in demonstrating the need for higher prices it was concluded that the work was highly beneficial to the industry and excellent value for money.

Northern Ireland Red Meat Strategic Forum

Coinciding with the conclusion of the formal working arrangements of the Task Force a Northern Ireland Red Meat Strategic Forum (Strategic Forum) was established. Following a period of LMC consultation with the individual organisations that participated in the Task Force it was concluded, from the feedback of these industry and government stakeholders, that there was a real need to continue building upon the successful format of the Task Force to create a Forum where issues of strategic importance to the sustainability and profitability of the red meat industry in Northern Ireland could be actively addressed. The Strategic Forum held its inaugural meeting in September 2010 and under the Chairmanship and facilitation of LMC has formed three focused sub groups to take forward key strands of strategic work, namely: Sustainable Livestock Systems & Supply Chain; Climate Change & Environment, and; Red Meat Processing Technology, Capability & Capacity. Outturns from these sub groups are already visible through such initiatives as a Climate Change briefing for meat plant procurement and marketing teams at AFBI Hillsborough in November 2010; the submission of a Strategic Forum response to Food Standards Agency consultation on charges for official controls on meat, and; strategic communications, such as reminding beef and dairy herd keepers of the importance of recording sire information when registering their calf births.

Industry Feed Assurance Group

The report of the Industry Feed Assurance Group (IFAG), 'Assuring Food Safety in Northern Ireland', was published and launched at a very successful event in January 2011 at the RUAS. IFAG was convened in 2009 by LMC as a united industry response to the dioxin in animal feed crisis of December 2008 and comprises representatives from the Northern Ireland farming organisations, the meat and milk processing sectors, technical and marketing support bodies, and industry assurance providers. The project was assisted by Dr. Patrick Wall, Associate Professor of Public Health at University College Dublin. The overarching objective of IFAG is to seek to reduce the risks of food business operators in the feed manufacturing, farming and processing sectors in Northern Ireland associated with the potential contamination of feed material inputs to livestock and poultry. Fourteen specific recommendations and points of action from each of the respective sectors have been identified in the report and significant progress on each of these is expected to be made over the next 12 months. There is a strong emphasis in the report on Assurance Scheme participation throughout the supply chain from feed to fork and as part of LMC's function is to manage the Standards Setting Committee for the Northern Ireland Beef & Lamb Farm Quality Assurance Scheme (FQAS) the recommendations of the IFAG report pertaining to beef and sheep meat production will be fully considered by that Committee. Already many of the recommendations of the report are adopted across the sectors.

Climate Change & Sustainability

Perhaps one of the biggest challenges on the horizon for the beef and sheep meat industries in Northern Ireland is the need for these industries to play their part in meeting Government legislative commitments under the Climate Change Act 2008 to reduce UK Greenhouse Gas

Emissions by at least 80% by 2050 and by at least 34% in the period 2018-2022. In order to assist the Northern Ireland red meat industry to play its part in meeting Agriculture's share of these commitments and to allow it to engage more widely in the global debate surrounding climate change and the wider issue of sustainability of red meat production LMC has sought to engage in a wide range of initiatives during the 2010/11 reporting period, including:

- Participation in the Sustainable Agriculture Initiative Platform Beef Working Group;
- Participation in the DARD Agriculture & Forestry Greenhouse Gas Stakeholder Group;
- Engagement with the Defra / Devolved Administrations Greenhouse Gas Research Platform by participating in the Methane Emissions from Livestock Project Advisory Group and the Revised Greenhouse Gas Inventory Project Workshops

These initiatives are, as yet embryonic, but each is expected to develop and grow in importance for the strategic positioning of our industry over the forthcoming months and years.

Northern Ireland Beef & Lamb Farm Quality Assurance Scheme

Farmer numbers participating in the Northern Ireland Beef & Lamb Farm Quality Assurance Scheme (FQAS) continues to decrease in line with general trends observed in local beef and sheep farming. At the end of the 2010/11 financial year producer participation in FQAS stood at 9,942, a contraction in membership of 1.4% relative to the end of the last financial year. Despite an overall contraction in membership new applications to join the scheme showed a 7.5% increase over the year relative to the previous 12 month period.

Whilst participation in FQAS may have decreased, the financial year 2010/11 set a new record high for the percentage of price reported domestic prime beef cattle that were farm assured at 95.1%. The previous highest year was 2009/10 at 93.2%. Steers continued to represent the highest category for assurance proportion at 96.1% with cull cows reaching an impressive level of 75.4% assurance during the year.

In April 2010 all FQAS participants were circulated with a revised version of the Scheme Product Standard and Rules. The Product Standard had been updated and amended by the FQAS Standard Setting Committee in response to industry and customer needs, to take account of changes in legislation and, to ensure continued recognition of equivalence with the Red Tractor Farm Assurance Scheme for Beef & Lamb. Farm inspections to the revised Product Standard commenced on 1 June 2010 and all participants will have completed a farm inspection to the revised requirements by the end of 2011.

The FQAS Farm Liaison Service continued to provide valuable assistance before and after inspections to FQAS participants during the 2010/11 reporting period. Approximately 500 participants (5% of scheme members) were proactively contacted by the LMC Farm Liaison Staff at the revocation reminder stage during the year. The assistance provided at this stage helped to limit the number of participants revoked from the scheme to less than 1% of total membership (87 participants were revoked from FQAS during the 2010/11 financial period). The Liaison Service also handled a significant volume of queries through the FQAS Helpline and referrals from the Certification Body.

During the 2010/11 reporting period a tendering exercise was completed for the provision of certification services to the Northern Ireland Beef & Lamb Farm Quality Assurance Scheme under Government rules. Before the successful tenderer could be awarded the certification contract it became necessary for LMC to complete a comprehensive business case for DARD and DFP approval of the planned expenditure of FQAS income over the 3 year term of the contract. Following approval of the business case the successful tenderer, Northern Ireland Food Chain Certification Limited, was awarded the certification contract for the period 1 November 2010 to 31 October 2013. A small (3%) reduction in the contract price was agreed, which sustains NIFQAS as the most cost efficient scheme operated in the British Isles. The cost sharing arrangement between Producers and Processors renders the Northern Ireland scheme by far the lowest cost to farmers of all schemes participating in UK Red Tractor Assurance.

FQAS showed a deficit of £164,132 for the year. This was a somewhat lower deficit than budgeted due to the benefits of a lower certification contract cost, and the competitive market for some of the other scheme expenditure.

At year end FQAS reserves stood at £314,505. It was concluded that the scheme could operate for yet a further year without increasing charges to producers. However, it will be essential to implement increases by April 2012.

Funding and Audit

Funding

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

<u>Levies</u>

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

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

LMC continues to 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.

<u>Classification Fees</u>

Classification fees, payable by processors, increased on 1 July 2010 from £0.21 to £0.25 per head for sheep and for cattle from £1.40 to £1.50 per head subject to a minimum charge per classification officer per day. This service ended on 28 March 2011.

<u>Northern Ireland Beef & Lamb Farm Quality Assurance Scheme (NIFQAS)</u>

Under funding arrangements for NIFQAS, producers pay a £50 joining 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.

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

The audit of the financial statements for 2010/11 resulted in an audit fee of £10,000 and this is included in the other operating charges in the Income and Expenditure account. The C&AG did not provide any non-audit services during the year.

Human Resources Report

It has long been understood that at some point the industry would seek to improve the consistency of their processes by introducing automated classification in the form of Video Image Analysis (VIA) technology. During the year considerable time was spent with the industry to work through the process of implementation and run out of existing service contracts. Regrettably this has lead to the wind up of the previously provided manual classification service and brain stem testing by LMC and the redundancy of all associated posts at the end of March 2011. Throughout the period, as well as engaging in formal consultation with NIPSA, we communicated to and met with affected staff to keep them informed of progress at all stages.

During the year we had two retirements. Dr Mike Tempest, Technical Director, retired after fourteen years service. His contribution to our industry has been immense and we thank him for his expertise in supporting and driving technical developments during that time. Mrs Lorna Major, one of our Housekeepers, also retired. We are indebted to her for her dedication to the upkeep of our fine building, Lissue House, over the last ten years. We wish them both well in their retirement.

Progress on the business case arising from the LMC Review culminated in January 2011 with the Minister's announcement advising that LMC would remain as a Non Departmental Public Body and be reformed to enable it to deliver future services to support the expansion of the red meat industry. Concurrently the LMC Board launched a redundancy process based on the need to restructure the organisation and reduce overhead costs. At year end this process had not been concluded.

The lengthy delay on matters related to the LMC Review has been difficult for staff and has indeed created uncertainty. However it is appreciated that staff have continued to provide the professional service expected by our industry on all matters.

Work continued through the year to review and re-issue a number of staff policies. Policies developed during the year include Guidance on Gifts & Hospitality (revised and approved by DARD); Code of Conduct for Staff (contacts updated); Whistleblowing (contacts updated). Other policies reviewed during the year, but with no changes include Disposal of Fixed Assets and No Smoking policies.

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

	2009/2010	2010/2011
Percentage days lost through sickness absence	2.06%	3.34%
Cost of absence	£21,473	£20,001
Percentage of annual staff costs	1.69%	1.36%

This year's figure shows an increase on last year but two thirds of the absence can be accounted for by a small number of long term absences. 3.34% overall equates to an average of 6.7 days lost per employee.

Equality Policy

It is LMC policy in carrying out its activities, both as an employer and as a provider of services to the industry, 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 disability; and between persons with dependants and persons without dependants.

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

Charitable donations

It is not LMC policy to make charitable donations.

Environmental Sustainability Report

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 to the social betterment of the rural community. Part of this contribution is through assisting all elements of the food chain, both producer and processor, to deliver their end products as efficiently and effectively as possible.

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

Commission Membership

The table below sets out the attendance of Commission Members at Board and Audit Committee meetings where applicable.

NAME	BOARD MEETINGS	AUDIT COMMITTEE
Patrick O'Rourke	13/13	-
Mary McCormack	12/13	3/4
John McGaughey	12/13	-
James Noble	12/13	3/4
Phelim O'Neill	13/13	4/4
Kenneth Sharkey	13/13	-
Campbell Tweedie	11/13	-

The Minister for Agriculture and Rural Development appoints the chairman and members of the LMC Board for three-year terms. As of 31 March 2011 there are seven members on the Commission ("the Board").

- Patrick O'Rourke (Chairman)
- Mary McCormack
- John McGaughey
- James Noble
- Phelim O'Neill
- Kenneth Sharkey
- Campbell Tweedie

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

Patrick O'Rourke – Chairman

Patrick O 'Rourke was appointed as Chairman of LMC in May 2009. In his first year, he has been involved in the major review of the organisation in order to make it more effective and responsive to the needs of the sector.

Prior to joining LMC, Patrick was Marketing and Public Relations Manager for the Irish Concrete Federation, responsible for the development and implementation of a nationwide industry marketing strategy involving the New Building Energy Rating system introduced by the E.U.

Patrick served as President of the Irish Creamery Milk Suppliers Association (ICMSA) from 1999 to 2006. During his term of office, he was a member of the Irish delegation at the World Trade Talks in both Cancun, Mexico in 2002 and Hong Kong in 2005 and has experience of negotiating at EU level with Commissioners Fischler, Byrne and Fischer Boel on agricultural issues including dairy, beef, environmental and CAP rural development plans.

He is a former director of Bord Bia, The Irish Dairy Board, The National Dairy Council, and The National Forum on Europe. He is currently a member of the local County Development Board, The Local Leader Board and a Director of Parkinson's Association of Ireland.

He is also a Director of O'Rourke & Moore Associates Ltd providing consultancy services to the Construction industry.

During 2010 Patrick was appointed Chairman of the Parkinson's Association of Ireland.

Mary McCormack

Mary McCormack was appointed to the Board in January 2009. She is a farmer's wife, and helps to manage a mixed dairy and beef farm in rural Tyrone.

Mary has a Diploma in Agriculture, Foundation Degree in Rural Sustainability Queens University, and has a career as a self employed consultant in community development and providing advocacy and facilitation support to the agriculture and rural development sector; organising information evenings, study tours, and coordinating rural events, as well as working with statutory bodies delivering services and training to the farming community.

Mary is Vice Chair of Northern Ireland Agricultural Consultants Association, a Member of North West Local Action Group for Rural Development Programme, a Trustee of Agrisearch Board, and a Committee Member of the Lakeland Dairies Producer Group and has worked for many years in the voluntary sector. She is also a former Secretary of the Northern Ireland Charolais Club, and is a Director of Camowen Partnership Ltd Carrickmore; a community development organisation providing childcare and support to the local community.

John McGaughey

John McGaughey 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 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.

James Noble

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

Phelim O’Neill

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

Kenneth Sharkey

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

Campbell Tweedie

Campbell Tweedie was appointed to the Board in July 2007. He has been in the vanguard of the Northern Ireland meat processing industry for the past five decades, beginning in the offal department of the old Belfast Abattoir. Throughout his career Campbell has developed many business interests in the meat processing industry and successfully built trading relationships with all of the major retail and food service customers of our industry today, both in the UK and mainland Europe. He is current President of the Northern Ireland Meat Exporters' Association and vice-chair of Safefood NI. He farms outside Newtownards and is active in Church and charity activities.

Remuneration Report

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

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

Service Contracts

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

Unless otherwise stated, the employees covered by this report hold appointments, which are open-ended until they reach the normal retiring age of 65. 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.

	2010/11		2009/10	
Name	Salary £'000	Benefits in kind (to nearest £100)	Salary £'000	Benefits in kind (to nearest £100)
Mr P O'Rourke *Chairman*	15-20	-	15-20 (Full year equivalent 15-20)	-
Mr J McGaughey *Board Member*	5-10	-	5-10	-
Mr J Noble *Board Member*	5-10	-	5-10	-
Mr C Tweedie *Board Member*	0-5	-	5-10	-
Mr P O'Neill *Board Member*	5-10	-	5-10	-

Mrs M McCormack *Board Member*	5-10	-	5.10	-
Mr K Sharkey *Board Member*	5-10	-	5-10	-
Mr D Rutledge *Chief Executive*	100-105	-	85-90	-
Dr M Tempest *Technical Director* (until 25 December 2010)	45-50	-	55-60	-
Mrs N Waite *Marketing Director*	30-35	-	50-55	-

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.

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. The Chief Executive received an additional mileage payment of £599 (2010: £863), which was reported on a P11D form to revenue authorities.

NILGOSC Pensions (audited)

Name	Accrued pension at age 65 as at 31/3/11 and related lump sum	Real increase in pension and related lump sum at age 60	CETV at 31/3/11	CETV at 31/3/10	Real increase in CETV	Employer contribution to partnership pension account
	£'000	£'000	£'000	£'000	£'000	Nearest £100
Mr D Rutledge *Chief Executive*	15-20 plus lump sum of 40-45	0-2.5 plus lump sum of (0-2.5)	323	307	5	-
Dr M Tempest *Technical Director*	25-30 plus lump sum of 75-100	2.5-5 plus lump sum of 0-2.5	618	603	-	-

Mrs N Waite *Marketing Director*	0-5 plus lump sum of 5-10	0-2.5 plus lump sum of (0-2.5)	44	44	(2)	-

Pension benefits are detailed in Note 14 to the accounts.

No pension benefits accrue to Board Members.

Cash Equivalent Transfer Values

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

Real increase in CETV

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

S Blain
Interim Accounting Officer
28 September 2011

Corporate Governance

The Minister for Agriculture and Rural Development is accountable to the Northern Ireland Assembly for the activities and performance of LMC. The Management Statement and Financial Memorandum, created by DARD in 2005, defines the accountability arrangements of LMC to DARD (Food Policy Branch being LMC's sponsors within DARD). LMC is reviewed periodically, in accordance with the business needs of DARD and LMC. A fundamental review of LMC took place in 2009.

LMC Board

The LMC Board normally meets once a month and comprises a chairman and six non-executive members. The appointments are made under section 1 of the Livestock Marketing Commission Act (Northern Ireland) 1967, and are made in accordance with the Commissioner of Public Appointments for Northern Ireland Code of Practice.

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

- Establishes the overall strategic direction of LMC within the policy and resources framework determined by DARD and its Minister

- Ensures that DARD and its Minister are kept informed of any changes which are likely to impact on the strategic direction of LMC or on the attainability of its targets, and determines the steps needed to deal with such changes

- Ensures that any statutory or administrative requirements for the use of public funds are complied with, that the Board operates within the limits of its statutory authority and any delegated authority agreed with DARD and in accordance with any other conditions relating to the use of public funds, and that, in reaching decisions, the Board takes into account guidance issued by Government

- Ensures that it receives and reviews regular financial information concerning the management of LMC, is informed in a timely manner about any concerns about the activities of LMC and provides assurances to DARD that appropriate action has been taken on such concerns

- Demonstrates high standards of corporate governance at all times

- Appoints, with DARD's approval, a Chief Executive to LMC and, in consultation with DARD, sets performance objectives and remuneration terms for the Chief Executive, which gives due weight to the proper management and use of public monies.

Evaluation of Board Performance

DARD is responsible for the evaluation of LMC's overall performance. The senior management of DARD's Food, Farm and Environmental Policy Division assess the LMC Chairman annually. The LMC Chairman assesses individual Board members annually.

Committees of the Board

The Board has established and delegated powers to an Audit Committee (see page 40) and a Remuneration Committee (see page 33).

Planning, Budgeting and Control

The Strategic Plan

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

LMC submits a draft of its updated strategic plan to DARD annually. DARD, once they have agreed the plan, submit it to the Department of Finance and Personnel (DFP) for their agreement. The main elements of the plan, including the key performance targets, are agreed in the light of DARD's decisions on policy and resources, taken in the context of the Government's wider policy and spending priorities and decisions.

The last strategic plan submitted to DARD has not been responded to, and as a consequence the strategic planning process has been on hold pending the outworking of the LMC Review process. This area becomes a priority for the early part of the next financial year.

The Business Plan

The first year of the strategic plan, amplified as necessary, forms the business plan, which includes key targets and milestones for the year immediately ahead, and is linked to budgeting information so that resources allocated to achieve specific objectives can readily be identified by DARD.

Financial Budgets

Financial budgets are produced annually for the forthcoming 12-month period and underpin the three-year strategic plan and annual business plans. Preliminary budgets are consolidated and presented to the Board during January of each year.

Reporting Performance to the Sponsor Department

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

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

LMC’s performance in helping to deliver DARD policies, including the achievement of key objectives, is reported to DARD on a quarterly basis. Performance is formally reviewed twice yearly by DARD. The Minister or his/her nominated representative normally meets the Board formally each year to discuss LMC’s performance, its current and future activities, and any policy developments relevant to those activities.

LMC's performance against key targets is reported in this annual report and accounts (pages 13 to 16). The annual report offers a review of LMC's performance in the financial year, together with comparable outturns for the previous year.

Internal Audit

LMC has a service level agreement with DARD's Internal Audit Branch to ensure that it meets its internal audit requirements fully. External Audit has a right of access to all documents prepared by LMC's internal auditor. In addition, DARD has a right of access to all LMC records, other information, personnel and systems for purposes such as sponsorship audits and operational investigations.

External Audit

The Comptroller and Auditor General (C&AG) audits and certifies LMC's annual accounts, after which LMC gains ministerial approval to lay them before the Northern Ireland Assembly. For the purpose of audit, the C&AG have a statutory right of access to relevant documents as provided for in Articles 3 and 4 of the Audit and Accountability (Northern Ireland) Order 2003. The C&AG shares with DARD information identified during the audit process and the audit report at the end of the audit.

The C&AG may carry out examinations into the economy, efficiency and effectiveness with which the LMC has used its resources in discharging its functions.

LMC Audit Committee Roles and Responsibilities

The Audit Committee supports the Board in their responsibilities for issues of risk, control and governance, by reviewing the comprehensiveness of assurances in meeting the Board and Accounting Officer's assurance needs, and reviewing the reliability and integrity of these assurances.

Membership

The members of the Audit Committee in 2010/11 were:

- Mr David Gray (Chair): independent, external member appointed by the Board in 2007, until March 2011
- Mr James Noble: non-executive Board member appointed by the Board in May 2008 for the duration of his membership of the Board
- Mr Phelim O'Neill: non-executive Board member appointed by the Board in February 2009 for the duration of his membership of the Board
- Mrs Mary McCormack: non-executive Board member appointed by the Board in February 2009 for the duration of her membership of the Board

Reporting

The Audit Committee meets at least three times a year, and reports formally to the Board after each meeting. It also provides the Board and Accounting Officer with an Annual Statement, timed to support finalisation of the accounts and the Statement on Internal Control, summarising its conclusions from the work it has done during the year.

Responsibilities

The Audit Committee advises the Board and Accounting Officer on:

- The strategic processes for risk, control and governance and the Statement on Internal Control

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

Statement of the Commission and Accounting Officer's Responsibilities

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

In preparing the accounts LMC is required to:

- Observe the accounts direction issued by DARD including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis

- Make judgments and estimates on a reasonable basis

- State whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements

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

The Accounting Officer for DARD has designated an Interim Accounting Officer until a new LMC Chief Executive is in post. Her relevant responsibilities as Interim Accounting Officer, including her responsibility for the propriety and regularity of the public finances and for the keeping of proper records, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum, issued by DFP.

The Interim 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. She is also responsible for ensuring that electronic publication of the financial statements and auditor's report properly present the original certified statements.

Statement on Internal Control

Scope of Responsibility

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

The period covering the year of account and the post balance sheet period has been one of significant strategic change for LMC. As explained more fully below;

- The outcome of the LMC review process was finally announced by the Minister this year but is not going to be implemented due to financial constraints,
- There have been significant changes in the industry and business environment in which LMC provides a service.

These events have driven a radical re-structuring of LMC and changes in its business objectives, management and staffing, and importantly to its governance arrangements and systems of internal control.

For much of the financial year covered by these accounts the governance and internal control included a well established senior management team and executive committee which allowed the then Chief Executive to take assurance as these managers sought to develop and embed risk management in all aspects of the management process. The final meeting of the full executive committee took place in April 2011, with most members of the committee subsequently leaving the Commission**.**

The current accountability arrangements in LMC were instigated in May 2011 with my appointment as Interim Accounting Officer following the retirement of the previous Accounting Officer/ Chief Executive. A sub-committee of the Board has been formed to provide support to the Accounting Officer and staff until a new Chief Executive is appointed. The current Management Statement and Financial Memorandum defining the accountability arrangements to our sponsor Department, the Department of Agriculture and Rural Development was implemented in 2005. This is due to be reviewed by DARD and LMC as a consequence of the changes in the strategic role of LMC but has been deferred until the replacement Chief Executive is appointed.

As Interim Accounting Officer I am supported by monthly Board Meetings, by an Audit Committee, the Board Sub-Committee and DARD sponsorship branch. I have also relied upon Stewardship Reports for the year ended 31 March 2011 produced by the now defunct Executive Committee, for the outgoing Accounting Officer and Chief Executive, in regard to their particular functional responsibilities. The Audit Committee, which met four times during the year, comprised three members of the Board and was chaired by an independent, external member (appointed by the Board) who brought expertise in financial and accounting matters to the Audit Committee. During the year, no executive management served on the Audit Committee.

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, their 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 2011 and up to the date of approval of the annual report and accounts, and accords with DFP guidance.

Internal audit services for the year were provided by the Internal Audit Branch of DARD. Internal audit work was carried out during planned visits (November, December, and January 2010/11) and the strategy and programme of work was approved by the Audit Committee. The Internal Auditors gave an overall "Satisfactory" assurance in respect of the internal control systems for the year.

Capacity to Handle Risk - Leadership

Leadership is given to the risk management process through the Board, the Audit Committee and previously during the year by the Executive Committee. The Risk Register is reviewed at all meetings of the Audit Committee and the Risk Management Plans for each functional area are updated and approved by the Board (through the Audit Committee) as appropriate and at least annually.

The Risk and Control Framework

Risk Management Policy

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.

Risk Appetite

LMC's risk appetite is determined by the extent to which the tolerance of risk is embedded within LMC's overall risk management framework. In broad terms, all currently identified controllable risks are considered to be within the risk appetite of the business.

Risk Register

During the year within each functional area, the Risk Register was maintained by the responsible manager. These risks were discussed at least quarterly by the Executive Committee and from these functional risks were drawn the Corporate Risk Register. During 2010/11, the main and significant risk areas which pertained were those of the uncertainties arising from:

- The LMC Review process.
- Delays in receiving approval for our budget from the sponsoring department/DFP.
- The need to restructure and reposition LMC in the light of the very significant decline in its activities over recent years, and the impending discontinuation of its classification activities.
- Significant collapse during the year of income from the sheep sector

(i) Throughout the majority of the year LMC has been awaiting the outcome of the business case being prepared by PWC for DARD, relating to the LMC Review recommendations. The review report recommended the winding up of LMC and its replacement by a new commercial organisation, and LMC managed its business in anticipation of such an outturn. However, on 20 January 2011 the Ministerial decision conveyed to the LMC Board was that LMC would remain as an NDPB. The Minister acknowledged that the best outturn would have been to implement the review report recommendations. Costs and resource cover, however, prevented the implementation of the recommendations.

The outworking of the conclusions imposed a new risk on LMC, and that is the risk of

becoming a grossly uncompetitive employer of staff to provide services to the stakeholders, as the massive decline in income and historic employment levels conspire to require a grotesquely high pension contribution as a percentage of salaries paid in future years. Significant industry pressure has given rise to the LMC Board deciding in principle to exit defined benefit pensions provision for employees. To achieve this, however, under pension scheme rules, triggers a cessation payment; the discharge of which requires DARD approval and resource cover.

(ii) LMC did not receive final approval of its business plan for the year until 19 January 2011. This delay caused problems for LMC in insuring full and proper procurement practices (through CPD when appropriate), and the further complication of not being able to implement some expenditure, as a result of advertising restrictions under normal pre-election protocol, in the run up to the NI Assembly elections.

(iii) The continuing uncertainty in regard to LMC's capacity within Government accounting rules to have custody of FQAS funds is a constraint on relationships with the main industry bodies. LMC cannot give a guarantee that funds collected for the purpose of providing the farm quality assurance scheme will be available for that purpose, when needed for that purpose. This has led to the industry considering placing its funds elsewhere. However, a decision by the industry has been deferred pending the outcome of the Review Implementation Group's further consideration of reclassifying LMC income and expenditure as AME (Annually Managed Expenditure), and (assuming successful reclassification) the clarification of the extent to which the continuing constraints applied by DARD allow LMC to give the necessary assurances to the industry.

(iv) From about half way through the second quarter of the year a major collapse of income from the sheep sector began to become evident. This arose from the closure of the largest sheep slaughter line in Northern Ireland, and the withdrawal of that company from the sheepmeat market. As a consequence of this pending shortfall of income, significant adjustments to expenditure against budget had to be implemented, and while some mitigation came during the last quarter of the year through higher than budgeted cattle related income, the curtailment of some expenditure, having been committed, could not be reversed.

The Risk Register and these dominating issues were disseminated throughout the organisation. Managers sought 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 a levy to LMC. Frequent meetings with all of the key stakeholders seek to ensure that the risks facing the industry and LMC are debated fully to reach appropriate conclusions for LMC and the industry we serve. The current LMC Risk Register was approved by the Board on 13 October 2010.

Reputational Risk

LMC's reputation within the beef and sheepmeat industry, from which it derives the entirety of its funding, is of critical importance. In addition to the issues associated with managing industry funds (already highlighted), LMC's reputation as an efficient service provider to the industry is significantly compromised in the eyes of the industry as a consequence of the additional costs of being part of Government. The review report recommendations were designed to resolve such matters; the outturn has not achieved the extent of progress expected.

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.

Business Continuity Plan

LMC has a comprehensive Business Continuity Plan (BCP), the purpose of which is to identify ways and means for LMC to continue to operate its core activities should a major disruption occur at its head office. Our current BCP was revised in June 2011 and communicated to key staff.

Anti-Fraud Policy

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

Whistle-Blowing Policy

The LMC Whistle-blowing Policy provides workers who report wrongdoing ('whistle blowing') with statutory protection against dismissal or detriment where they make certain disclosures of information in the public interest if that disclosure is made in accordance with procedures specified in the policy. LMC has defined its policy and procedure through this policy, which was revised in May 2010.

Review of Effectiveness

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

Significant Internal Control Issues

Since the year end LMC has experienced significant structural and operational changes which necessitated the requirement for interim corporate governance arrangements to be put in place. The NIAO and DARD sponsorship branch continues to provide advice and guidance to LMC during this interim period, until a new Chief Executive is appointed. LMC recognises the need to review the present internal control structures when the organisational changes have been concluded.

I will report further on these issues in the Statement of Internal Control next year.

Suzanne Blain

S Blain
Interim Accounting Officer
28 September 2011

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 2011 under the Livestock and Marketing Commission Act (Northern Ireland) 1967. These comprise the Income and Expenditure Account, the Statement of Financial Position, the Statement of Cash Flows, the Statement of Reserves and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Accounting Officer and auditor

As explained more fully in the Statement of Accounting Officer's Responsibilities**,** the Accounting Officer is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit the financial statements in accordance with the Livestock and Marketing Commission Act (Northern Ireland) 1967. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the 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 Livestock and Meat Commission's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Livestock and Meat Commission; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on Regularity

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view, of the state of Livestock and Meat Commission's affairs as at 31 March 2011 and of its surplus for the year, cash flows and statement of reserves for the year then ended; and

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

Opinion on other matters

In my opinion:

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

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

Matters on which I report by exception

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

- adequate accounting records have not been kept; or

- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records; or

- I have not received all of the information and explanations I require for my audit; or

- the Statement on Internal Control does not reflect compliance with Department of Finance and Personnel's guidance.

Report

I have no observations to make on these financial statements.

KJ Donnelly
Comptroller and Auditor General
Northern Ireland Audit Office
106 University Street
Belfast
BT7 IEU
14 October 2011

Income and expenditure account for the year ended 31 March 2011

	Notes	2011 £	2010 £
Income - continuing operations			
Income from activities	2	**2,772,781**	2,930,796
Expenditure			
Staff and related costs	3	**1,468,447**	1,272,046
Depreciation (net of deferred grant release)		**44,745**	49,376
Other operating charges	4	**211,345**	1,597,768
		1,724,537	2,919,190
Operating surplus	2	**1,048,244**	11,606
Finance income	5	**31,059**	44,688
Surplus before income tax		**1,079,303**	56,294
Income tax charge	6	**6,522**	9,384
Surplus for the year		**1,072,781**	46,910

Statement of financial position as at 31 March 2011

	Notes	**2011** £	2010 £
Assets			
Non-current assets			
Property, plant and equipment	8	**1,393,135**	1,488,184
		1,393,135	1,488,184
Current assets			
Trade and other receivables	9	**433,665**	582,736
Cash and cash equivalents	10	**1,224,322**	910,406
Short term bank deposits		**1,591,690**	1,561,073
		3,249,677	3,054,215
Total assets		**4,642,812**	4,542,399
Current liabilities			
Trade and other payables	11	**491,262**	292,805
Income tax liabilities		**6,522**	9,384
		497,784	302,189
Non-current assets plus net current assets		**4,145,028**	4,240,210
Non-current liabilities			
Pension liabilities	14	**544,000**	3,512,000
		544,000	3,512,000
Assets less liabilities		**3,601,028**	728,210
Reserves			
Income and expenditure account		**1,882,232**	(1,522,080)
Revaluation reserve		**638,707**	684,315
Designated reserves		**1,080,089**	1,565,975
		3,601,028	728,210

The notes on pages 56 to 75 are an integral part of these financial statements.

The financial statements on pages 52 to 75 were authorised for issue by the Board on 21 September 2011 and were signed on its behalf by:

Suzanne Blain
Interim Accounting Officer
28 September 2011

Statement of Cash Flows for the year ended 31 March 2011

	Notes	**2011**	2010 £
Cash flows from operating activities			
Operating surplus after interest		1,079,303	56,294
Adjustments for:			
Depreciation of property, plant and equipment		50,049	54,680
Movement in trade and other receivables		149,071	91,085
Actuarial gain(loss) recognised		1,843,000	(2,043,000)
Movement in trade and other payables		(2,769,543)	2,095,874
Notional charges		2,037	1,234
Profit on disposal of property, plant and equipment		(296)	-
Income tax paid		(9384)	(20,682)
Net cash used in operating activities		344,237	235,485
Cash flows from investing activities			
Purchases of property, plant and equipment		-	(16,699)
Proceeds from sale of property, plant and equipment		296	-
Movement in short-term deposits		(30,617)	(1,206,371)
Net cash used in investing activities		(30,321)	(1,223,070)
Movement in cash and cash equivalents		313,916	(987,585)
Cash and cash equivalents at the beginning of the year	10	910,406	1,897,991
Cash and cash equivalents at the end of the year	10	1,224,322	910,406

Statement of Reserves for the year ended 31 March 2011

	Designated reserves			
	Farm quality assurance scheme £	**Classification service £**	**Total designated reserves £**	**Income and expenditure account £**
At 1 April 2009	655,604	1,015,117	1,670,721	367,965
Surplus for the year				46,910
Actuarial loss on retirement benefit obligations				(2,043,000)
Other notional charges				1,234
Transfer from unrealised revaluation reserve to income and expenditure account				65
Transferred to other designated reserves	(176,967)	72,221	(104,746)	104,746
At 31 March 2010	**478,637**	**1,087,338**	**1,565,975**	**(1,522,080)**
Surplus for the year				**1,072,781**
Actuarial gain on retirement benefit obligations				**1,843,000**
Other notional charges				**2,037**
Transfer from unrealised revaluation reserve to income and expenditure account				**608**
Transferred to other designated reserves	**(164,132)**	**(321,754)**	**(485,886)**	**485,886**
At 31 March 2011	**314,505**	**765,584**	**1,080,089**	**1,882,232**

	Unrealised revaluation reserves £
At 1 April 2009	1,094,397
Deficit on revaluation of property, plant and equipment	(410,017)
Transfer from unrealised revaluation reserve to income and expenditure account reserve	(65)
At 31 March 2010	**684,315**
Deficit on revaluation of property, plant and equipment	(45,000)
Transfer from unrealised revaluation reserve to income and expenditure account reserve	(608)
At 31 March 2011	**638,707**

Notes to the financial statements for the year ended 31 March 2011

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

General information

The entity's principal activities during the year are detailed on pages 13 to 16. 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 2010-11 Government Financial Reporting Manual (FReM) issued by DFP Northern Ireland. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector context. Where the FReM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the entity for the purpose of giving a true and fair view has been selected. The particular policies adopted by the entity [for the reportable activity] are described below. They have been applied consistently in dealing with items that are considered material to the accounts. These accounts have been prepared on the going concern basis, under the historical cost convention modified to account for the revaluation of property, plant and equipment. This treatment is felt to be appropriate by the Board following the DARD Minister's decision to retain LMC as an NDPB.

Standards, amendments and interpretations effective in the year ended 31 March 2011 but not relevant

The following standards, amendments and interpretations to published standards are effective for the year ended 31 March 2011 but they are not relevant to the entity's operations:

		Effective date
International Accounting Standards (IAS/IFRSs)		
IAS 27	Consolidated and separate financial statements (revised)	1 July 2009
IFRS 3	Business combinations (revised)	1 July 2009
International Financial Reporting Interpretation Committee (IFRIC)		
IFRIC 17	Distributions of non-cash assets to owners	1 July 2009
IFRIC 18	Transfer of assets from customers	1 July 2009

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

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

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

		Effective date
International Accounting Standards (IAS/IFRSs)		
IFRS 9	Financial Instruments	1 January 2013
IAS 12	Amendment to Income Taxes	1 January 2012
IAS 24	Related Party Disclosures (revised)	1 January 2011
International Financial Reporting Interpretation Committee (IFRIC)		
IFRIC 19	Extinguishing Financial Liabilities with Equity Instruments	1 July 2010

Notes to the financial statements for the year ended 31 March 2011

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

Amendments to the following current accounting standards will be applicable for periods commencing on or after 1 January 2011 arising from the IASBs May 2010 Annual Improvements process: IFRS 1, IFRS 3, IFRS 7, IAS 1, IAS 27, IAS 34, IFRIC 13. The Board is currently considering the implications of these amendments for future accounting periods.

Income

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

Segment reporting

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

Notes to the financial statements for the year ended 31 March 2011

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

Property, plant and equipment

In line with the LMC policy to have quinquennial valuations of land and buildings, the freehold property was valued externally on 31 March 2010 at existing use value by Land and Property Services, less subsequent depreciation for buildings. 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 charged to the income statement during the financial period in which they are incurred. The charge for depreciation is calculated so as to write off the depreciable amount of assets over their estimated useful economic lives on a straight line basis. The lives of each major class of depreciable asset are as follows:

Land	-	NIL
Buildings	-	2.56%
Office furniture, fixtures and fittings, computers	-	20.00%

The assets' residual values and useful economic lives are reviewed, and adjusted if appropriate, at each balance sheet 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.

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

Impairment of non-financial assets

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

Loans and receivables (financial instruments)

(a) Trade and other receivables

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

(b) Cash and cash equivalents

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

Other financial liabilities at amortised costs (financial instruments)

Trade and other payables

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

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 balance sheet 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

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

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

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

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

Designated reserves

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

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

Financial risk factors

(a) Market risk

The entity has no interest rate risk as it has no borrowings nor does it have any exchange rate risk as all of its transactions are denominated in Sterling.

(b) Credit risk

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

(c) Liquidity risk

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

Notes to the financial statements for the year ended 31 March 2011

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

Capital risk management

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

Fair value estimation

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

Critical accounting estimates and judgements

There are no critical accounting estimates and judgements.

2 Income and expenditure by activity

	Income from activities £	**Expenditure £**	**Operating surplus 2011 £**	Total 2010 £
Levy and other income	1,124,790	(415,721)	**1,540,511**	129,121
Rural payments agency	69,654	64,650	**5,004**	8,096
Classification service	735,720	1,065,866	**(330,146)**	58,311
NIFQAS income	842,617	1,009,742	**(167,125)**	(183,922)
Total	**2,772,781**	**1,724,537**	**1,048,244**	11,606

Notes to the financial statements for the year ended 31 March 2011

3 Employee benefit expense

	Permanently employed staff	**Others**	**2011**	2010
	£	**£**	**£**	£
Wages and salaries	918,017	28,815	**946,832**	1,073,550
Social security costs	64,584	9,437	**74,021**	78,761
Pension costs – defined benefit plans	169,269	-	**169,269**	81,632
Reorganisation and redundancy costs	275,466	2,859	**278,325**	38,103
	1,427,336	**41,111**	**1,468,447**	1,272,046

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

	Permanently employed staff	**Others**	**Number**	Number
Commission members	7	-	**7**	7
Classification/Agency	16	2	**18**	19
Administration (including levy collection)	19	1	**20**	23
	42	**3**	**45**	49

4 Other operating charges

	2011	2010
	£	£
Information services	**595**	13,826
Market development and advertising	**991,748**	1,110,301
Administration costs:		
Actuarial (credits)/costs of pension scheme	**(1,015,000)**	189,000
Office expenses	**182,002**	218,547
Aggregate travelling and subsistence	**52,000**	66,094
	211,345	1,597,768

Office expenses include:

	2011	2010
	£	£
Notional charges	**2,037**	1,234
Auditors' remuneration - for audit	**10,000**	9,000
- for other services	**-**	3,000

Notes to the financial statements for the year ended 31 March 2011

5 Finance income and costs

	2011	2010
	£	£
Interest income:		
Short-term bank deposits	**31,059**	44,688
Finance costs - net	**31,059**	44,688

Short-term bank deposits

Short-term bank deposits earned interest at a rate of 1.8% to 2.2% over the financial year.

6 Income tax charge

	2011	2010
	£	£
Current income tax:		
Current UK corporation tax at 21% (2010: 21%)	**6,522**	9,384
Income tax charge	**6,522**	9,384

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 21% (2010: 21%). The differences are reconciled below:

	2011	2010
	£	£
Surplus before income tax	**1,079,303**	56,294
Tax calculated at the UK small companies rate of corporation tax of 21% (2010: 21%)	**226,654**	11,822
Effect of:		
Surplus not taxable	**220,132**	2,438
Income tax charge	**6,522**	9,384

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

7 Segment information

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

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

The segment information provided to the Board for the reportable segments for the year ended 31 March 2011 is as follows:

	Levy Funded Activities	NIFQAS	Rural Payments Agency	Classification	Other	Total
	£	£	£	£	£	£
Income from external parties	**1,063,604**	**846,406**	**69,654**	**746,342**	**77,834**	**2,803,840**
Expenditure	**(629,408)**	**(1,009,742)**	**(64,650)**	**(1,065,866)**	**(77,834)**	**(2,847,500)**
Operating surplus/(deficit) before tax	**434,196**	**(163,336)**	**5,004**	**(319,524)**	**-**	**(43,660)**
Income tax expense	**(3,496)**	**(796)**	**-**	**(2,230)**	**-**	**(6,522)**
Surplus/(deficit) before notional costs and after tax	**430,700**	**(164,132)**	**5,004**	**(321,754)**	**-**	**(50,182)**
Adjustments in respect of notional costs:						
Internal audit						**(2,037)**
Actuarial credits of pension scheme						**1,125,000**
Total surplus reported for year						**1,072,781**
Total assets less liabilities	**1,068,215**	**314,505**	**1,452,724**	**765,584**	**-**	**3,601,028**
Depreciation	**20,301**	**5,469**	**7,238**	**7,041**	**10,000**	**50,049**
Interest Received	**16,648**	**3,789**	**-**	**10,622**	**-**	**31,059**

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.

8 Property, plant and equipment

	Freehold Land	Property Buildings	Exhibition equipment, office furniture, fixtures and fittings	Computers	Total
	£	£	£	£	£
Cost or valuation					
At 1 April 2009	703,372	1,172,286	290,759	234,445	**2,400,862**
Additions	-	-	4,470	12,229	**16,699**
Disposals	-	-	(26,711)	(13,697)	**(40,408)**
Revaluation	(53,372)	(422,286)	-	-	**(475,658)**
At 31 March 2010	**650,000**	**750,000**	**268,518**	**232,977**	**1,901,495**
Depreciation					
At 1 April 2009	-	46,891	257,132	160,657	**464,680**
Provided during the year	-	18,750	13,799	22,131	**54,680**
Eliminated in respect of disposals	-	-	(26,711)	(13,697)	**(40,408)**
Revaluation	-	(65,641)	-	-	**(65,641)**
At 31 March 2010	**-**	**-**	**244,220**	**169,091**	**413,311**
Net book amount					
At 31 March 2010	**650,000**	**750,000**	**24,298**	**63,886**	**1,488,184**
At 31 March 2009	-	1,828,767	33,627	73,788	1,936,182

Cost or valuation					
At 1 April 2010	650,000	750,000	268,518	232,977	**1,901,495**
Additions	-	-	-	-	**-**
Disposals	-	-	(12,511)	(2,418)	**(14,929)**
Indexation	-	(45,000)	-	-	**(45,000)**
At 31 March 2011	**650,000**	**705,000**	**256,007**	**230,559**	**1,841,566**
Depreciation					
At 1 April 2010	-	-	244,220	169,091	**413,311**
Provided during the year	-	18,077	10,339	21,633	**50,049**
Eliminated in respect of disposals	-	-	(12,511)	(2,418)	**(14,929)**
Indexation	-	-	-	-	**-**
At 31 March 2011	**-**	**18,077**	**242,048**	**188,306**	**448,431**
Net book amount					
At 31 March 2011	**650,000**	**686,923**	**13,959**	**42,253**	**1,393,135**
At 31 March 2010	650,000	750,000	24,298	63,886	1,488,184

8 Property, plant and equipment (continued)

Depreciation expense of £50,049 (2010: £54,680) has been fully charged to expenditure.

The entity's freehold property was last revalued externally on 31 March 2010 by Land and Property Services. Valuations were made on the basis of existing use value. In intervening years this valuation is subject to annual indexation using relative price indices.

9 Trade and other receivables

	2011	2010
	£	£
Levies (statutory)	**143,101**	156,302
Rural payments agency receivable	**32,042**	13,810
Classification receivables	**131,012**	147,030
Farm quality assurance scheme receivables	**89,461**	109,748
Other receivables	**1,355**	102,452
Prepayments and accrued income	**36,694**	53,394
	433,665	582,736

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

	2011	2010
	£	£
Cash at bank and on hand	**1,224,322**	910,406

11 Trade and other payables

	2011	2010
	£	£
Accruals	**410,656**	199,627
Deferred income	**10,610**	15,915
Other taxation and social security	**69,996**	77,263
	491,262	292,805

12 Related party transactions

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

The entity is a one-eighth owner of Northern Ireland Food Chain Certification (NIFCC) and is represented on the board of directors. During the year the entity provided accounting, administration and human resources services to NIFCC valued at £77,834 (2010: £82,713). NIFCC provided the entity with inspection services and marketing information during the year valued at £741,684 (2010: £764,864). The amount due to NIFCC at 31 March 2011 was £nil (2010: £42). NIFCC is operated as a not-for-profit organisation and therefore no NIFCC reserves are recorded in LMC’s financial statements.

In addition the entity provided office space and administration services to Northern Ireland Meat Exporters Association valued at £ 7,738 (2010: £6,936). NIMEA provided the entity with price reporting information during the year valued at £17,900 (2010: £22,000). The amount due to NIMEA at 31 March 2011 was £nil (2010: nil).

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

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

Notes to the financial statements for the year ended 31 March 2011

12 Related party transactions (continued)

	Debtors: amounts falling due within one year £	Debtors: amounts falling due after more than one year £	Creditors: amounts falling due within one year £	Creditors: amounts falling due after more than one year £
Balance with other central government bodies	**32,042**	**-**	**76,518**	**-**
Balances with local authorities	**-**	**-**	**-**	**-**
Balances with NHS trusts	**-**	**-**	**-**	**-**
Balances with public corporations and trading funds	**-**	**-**	**-**	**-**
Balances with bodies external to government	**401,623**	**-**	**421,266**	**544,000**
At 31 March 2011	**433,665**	**-**	**497,784**	**544,000**

	Debtors: amounts falling due within one year £	Debtors: amounts falling due after more than one year £	Creditors: amounts falling due within one year £	Creditors: amounts falling due after more than one year £
Balance with other central government bodies	13,810	-	86,648	-
Balances with local authorities	-	-	-	-
Balances with NHS trusts	-	-	-	-
Balances with public corporations and trading funds	-	-	-	-
Balances with bodies external to government	568,926	-	215,541	3,512,000
At 31 March 2010	582,736	-	302,189	3,512,000

13 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

Notes to the financial statements for the year ended 31 March 2011

14 Pension liabilities

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

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

An actuarial valuation of the scheme using the projected unit basis was carried out at 31 March 2011 by Hymans Robertson LLP. The principal assumptions used were as follows:

14 Pension liabilities (continued)

	2011	2010	2009
	%	%	%
Future salary increases	**5.1**	5.3	4.6
Discount rate	**5.5**	5.5	6.9
Inflation rate	**2.8**	3.8	3.1
Future pension increases	**2.8**	3.8	3.1

The mortality assumptions used were as follows:

	2011	2010	2009
	years	years	years
Longevity at age 65 for current pensioners			
- Men	**22.9**	20.8	19.6
- Women	**25.7**	24.1	22.5
Longevity at age 65 for future pensioners			
- Men	**24.9**	22.3	20.7
- Women	**27.7**	25.7	23.6

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

	Long term rate of return expected	**Value at**	Long term rate of return expected	Value at	Long term rate of return expected	Value at
	2011	**2011**	2010	2010	2009	2009
	%	**£**	%	£	%	£
Equity	**7.5**	**5,387,000**	7.8	4,605,000	7.0	3,065,000
Bonds	**4.9**	**979,000**	5.0	837,000	5.4	588,000
Property	**5.5**	**420,000**	5.8	359,000	4.9	294,000
Cash	**4.6**	**210,000**	4.8	179,000	4.0	252,000
Total market value of assets		**6,996,000**		5,980,000		4,199,000
Present value of scheme obligations		**(7,540,000)**		(9,492,000)		(5,523,000)
Deficit in scheme		**(544,000)**		(3,512,000)		(1,324,000)

14 Pension liabilities (continued)

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

	2011	2010
	£	£
At 1 April	**5,980,000**	4,199,000
Expected return on scheme assets	**432,000**	274,000
Contributions by members	**55,000**	56,000
Contributions by employer	**281,000**	134,000
Actuarial gains/(losses)	**397,000**	1,480,000
Benefits paid	**(149,000)**	(163,000)
At 31 March	**6,996,000**	5,980,000

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

	2011	2010
	£	£
At 1 April	**9,492,000**	5,523,000
Current service cost	**171,000**	90,000
Interest cost	**479,000**	383,000
Contributions by members	**55,000**	56,000
Actuarial gains	**(1,446,000)**	3,523,000
Past Service Costs	**(1,062,000)**	53,000
Losses on Curtailments	**-**	27,000
Benefits paid	**(149,000)**	(163,000)
At 31 March	**7,540,000**	9,492,000

Analysis of amount recognised in the income and expenditure account

	2011	2010
	£	£
Current service cost	**171,000**	90,000
Interest cost	**479,000**	383,000
Expected return on pension scheme assets	**(432,000)**	(274,000)
Past Service Costs	**(1,062,000)**	53,000
Losses on Curtailments	**-**	27,000
Total operating (credit)/charge	**(844,000)**	279,000

14 Pension liabilities (continued)

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

	2011	**2010**
	£	£
Actual return less expected return on pensions scheme assets	**397,000**	1,480,000
Changes in assumptions underlying the present value of the scheme liabilities	**1,446,000**	(3,523,000)
Actuarial gain/loss recognised in the statement of recognised income and expenses	**1,843,000**	(2,043,000)
Cumulative actuarial losses recognised in the statement of recognised income and expenses	**(760,000)**	(2,603,000)

History of experience gains and losses

	2011	2010	2009	2008	2007
	£	£	£	£	£
Defined benefit obligation	**(7,540,000)**	(9,492,000)	(5,523,000)	(5,682,000)	(7,194,000)
Plan assets	**6,996,000**	5,980,000	4,199,000	5,442,000	5,544,000
Deficit	**(544,000)**	(3,512,000)	(1,324,000)	(240,000)	(1,650,000)
Experience adjustments on plan assets	**397,000**	1,480,000	(1,683,000)	(453,000)	(62,000)
Experience adjustments on plan liabilities	**822,000**	-	-	805,000	(100,000)
Total amount recognised in the statement of recognised income and expenses	**1,843,000**	(2,043,000)	(1,100,000)	1,469,000	(1,129,000)

Analysis of projected amount to be charged to operating profit for the year to 31 March 2012

	£	% of pay
Projected Current Service Cost	95,000	20.6
Interest on Obligation	410,000	89.1
Expected Return on Plan Assets	(478,000)	(103.9)
Past Service Cost	-	-
Losses/(Gains) on Curtailments and Settlements	-	-
Total	**27,000**	**5.8**

information & publishing solutions

Published by TSO (The Stationery Office) and available from:

Online
www.tsoshop.co.uk

Mail, telephone, fax and email
TSO
PO Box 29, Norwich NR3 1GN
Telephone orders/general enquiries: 0870 600 5522
Order through the Parliamentary Hotline Lo-Call 0845 7 023474
Fax orders: 0870 600 5533
Email: customer.services@tso.co.uk
Textphone: 0870 240 3701

TSO@Blackwell and other accredited agents

ISBN 978-0-337-09738-6
9 780337 097386