

Livestock Information Limited

Incorporated in England and Wales

First Annual Report and Financial Statements

18 July 2019 to 31 March 2020

Company Registration No. 12111174

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Officers and Professional Advisers

Directors

Richard Laverick (appointed 18th July 2019)

Michael Sheldon (appointed 1st October 2019)

John Bourne (appointed 1st October 2019)

Simon Hall (appointed 1st October 2019)

William Lifford (appointed 1st October 2019; resigned 1st March 2020)

Peter Connor (appointed 10th February 2020)

John Cross (appointed 1st March 2020)

Laura Ryan was appointed as a Non-Executive Director on 1st June 2020

Company Secretary

Eversecretary Limited

Registered Office

Agriculture and Horticulture Development Board

Stoneleigh Park

Kenilworth

Warwickshire

CV8 2TL

Auditor

Comptroller and Auditor General

National Audit Office

157-197 Buckingham Palace Road

London

SW1W 9SP

Chair's Statement

I was pleased to take on the role of chair of the company's board as I consider the programme to be of huge importance in the management of disease in animals and improving the efficiency and effectiveness of the agriculture industry and optimise its market opportunities at home and abroad.

The company has made a good start. It began its operations on 1st October 2019 and by the end of March had a team in place who were developing systems and designing services in line with the business case that provided the justification for the substantial funding that Defra has made available. The company is ready to continue with its work, despite the inevitable disruption caused by the outbreak of coronavirus, and will deliver all the services expected of it though the timing may have to be adapted to the circumstances.

The successful launch of the company and its continuing progress could not have been achieved without the continuing support of the two members, Defra and the Agriculture and Horticulture Development Board (AHDB). In addition to providing the necessary finance, their expertise, knowledge of the agriculture industry and ability to provide the wide range of support services the company has needed in its early stages have been of fundamental importance.

We are well supported too by the representatives of the agriculture industry who have freely given their expertise of huge value. I want to emphasise too the enormous value of our advisors who have provided useful challenges to our decision-making.

The narrative below and the accounts for the period to 31st March 2020 set out in more detail what we have been doing in the first six months of our operations. I believe we have started well and that we are in a good position to deliver the services that were the reason for creating the company.

John Cross

Strategic Report

Purpose and Vision of the Company

The company was formed to develop and deliver the livestock information programme. This programme will develop a livestock tracing service replacing three existing services which are now approaching obsolescence, so will cease to provide the functionality required in the future. The company took on responsibility for the programme on 1st October 2019.

The livestock tracing service has a number of objectives:

- It will be a key component in animal disease management and control and will allow the UK government to meet its statutory and international obligations
- It will provide opportunities for more information to be made available to the agriculture industry, promoting greater efficiency and productivity
- It will yield wider economic benefits by facilitating access to export markets

During the period under review, work continued on the system design and build, and that work will continue for a further two years. Delivery of the new service will begin to be rolled out in the second half of 2020-21 and will then be phased over 12 – 18 months.

In parallel to the core service, it will be possible to provide some new data (or new interpretations of data) to the agriculture industry, based on requests made by representative bodies to help the industry improve its productivity, marketing and access to export markets.

The company has been set up on a not-for-profit basis so that its focus is on service delivery rather than financial gain. There are two members of the company: Defra (with 49% voting rights) and the Agriculture and Horticulture Development Board (with 51% voting rights).

Funding for the programme comes from Defra and, so far, Defra has been our only direct source of income, amounting to £5.45m. The Agriculture and Horticulture Development Board has not made any direct funding contribution but has provided corporate services to the company without charge. The value of these services, covering Finance, Human Resources, Marketing and Communications and Health and Safety, is estimated to be £0.25m for the six months to 31st March 2020.

Governance

Governance arrangements were agreed prior to the start of operations and have been in operation throughout the period under review. Our members each formed an ownership group, with which the company is obliged to discuss and agree its plans and to which regular reports of progress are made.

The company's board consists of seven members, appointed by the members and other stakeholders to ensure that decision making is informed by a wide range of perspectives. During the period under review six of these roles were filled, with the chair role filled on an interim basis initially; the interim chair was succeeded by a permanent appointment on 1st March 2020. The remaining vacancy was filled on 1st June 2020.

Since the start of the operating period, the company has established internal governance arrangements to comply with best practice. There is a governance operating manual in place, setting out the full range of governance arrangements, processes to identify and manage risk have been established and are working effectively and we have created an Audit and Risk Assurance Committee as a sub-committee of the board to ensure that governance issues are well managed.

Operations

The company took over responsibility for the development of the software and the creation of the organisational infrastructure that will form the core of the livestock information service.

Good progress was made in the six months under review and the development of systems by 31st March 2020 was broadly in line with the plan. The regime under which the programme is controlled involves an iterative approach so that plans are constantly under review and are regularly changed to take account of new information that has been discovered and to absorb any new interpretations of the problems that are being solved. This iterative approach means that the detailed delivery plans are flexible within a regime where there are clear milestones to demonstrate achievement.

The impact of coronavirus towards the end of the period under review was minimal as regards that period but will have much greater significance for future delivery. A fundamental review of what could be achieved in the new environment, both in terms of the outcomes and the timescales was launched in March.

Finance

The programme expenditure budget agreed for the six-month period of operations was £1.8m for revenue and £3.6m for capital. The actual expenditure on the programme was £1.99m for revenue and £3.46m for capital.

Income from Defra to cover revenue expenditure was £1.99m and a further amount of £3.46m was received in respect of capital expenditure and this has been treated as deferred income, to be released to the profit and loss account over the life of the assets.

Income and expenditure in the profit and loss account were offsetting and there was neither profit nor loss for the period.

The balance sheet assets are mainly the intangible assets under construction for the programme, offset by deferred income, leaving no net reserves. This would be of concern in most trading organisations, but the agreement with the members and funders provides the company with the assurance that it can continue its operations without significant risk of insolvency and the accounts have therefore been prepared on a going concern basis which is further referenced in the Director's Report and the Notes to the Financial Statement.

The company has received confirmation from HMRC that its activities fall within the scope of VAT and the company is able to recover the input tax incurred on its purchases of goods and services, an important part of delivering the service within budget.

The Future

Although Coronavirus had little impact on operations and delivery in the period to 31st March 2020, the impact on 2020-21 and probably in later years will be significant. As soon as the company was aware of the scale and impact of the restrictions that followed from managing the spread of the virus, re-planning began.

The process of assessing all the delivery plans against the new constraints took several weeks and proceeded beyond 31st March into the new financial year. The conclusion was that:

- The programme can still be delivered in full
- There will however be some impact on the timescales of parts of the programme that will result from changing the sequence of activities
- New ways of working will be required for a number of months and these new working patterns would have to be developed quickly

The delays that are expected mean that, in some cases, new services will be delayed by up to a year with a consequent impact on the benefits that the programme is expected to realise. We have therefore re-examined the economic case which underpinned the full business case, building in delays to benefit realisation of one or two years in the areas most affected by the re-planning. Although the net gain is less than in the initial case, it remains strongly positive. The fundamentals of the business case are therefore unchanged.

We have moved ahead, delivering on the basis of the new plan and we expect our progress and expenditure in 2020-21 to be broadly in line with the business case so that we will be ready to deliver the first part of the service in the later part of the year, with full rollout on a phased basis over the following two years.

Approved by the Directors and signed on behalf of the board



Simon Hall

Managing Director and Accounting Officer

21 October 2020

Directors' Report

Going Concern

The Directors have considered the factors that may influence the company for the foreseeable future and believe that it is appropriate to prepare the accounts on a going concern basis. The factors that have led the Directors to this conclusion are:

- Defra ministers have indicated that this programme is an important component of delivering Defra's policies relating to animal health and welfare and also in the economic performance of the industry, particularly in relation to exports post EU exit;
- The business case for the programme which runs until the end of 2021-22 was approved by the Treasury as well as by Defra and the Directors think it unlikely that funding will be withdrawn at this stage (ie after substantial funding has already been committed but before any benefits can be realised);
- Defra, one of the two members of the Company, has agreed that it will fund the Livestock Information programme in 2020- 21 and that it intends (subject to the outcome of the Spending Review due to take place in 2020) to provide funding for later years, both for the programme and for service delivery.
- The Directors have considered in some detail the impact of COVID-19 on the Company's delivery plans and have concluded that there will be no material impact from COVID-19 on the delivery of the programme or the costs in business case. There will, however, be some impact on the timescales of parts of the programme that will result from changing the sequence of activities.
 - The delays that are expected mean that, in some cases, new services will be delayed by up to a year with a consequent impact on the benefits that the programme is expected to realise. We have therefore re-examined the economic case which underpinned the full business case, building in delays to benefit realisation of one or two years in the areas most affected by the re-planning. Although the net gain is less than in the initial case, it remains strongly positive. The fundamentals of the business case are therefore unchanged.
 - Following the re-planning exercise, we expect our progress and expenditure in 2020-21 to be broadly in line with the business case so that we will be ready to deliver the first part of the service in the later part of the year, with full rollout on a phased basis over the following two years.
- If the funding for 2021-22 were to be reduced (even by a substantial amount), the Company could still continue to operate, though with slower delivery and consequent delays in benefit realisation.
- AHDB has agreed (as part of the delivery agreement) that it will support LI Limited with its financial obligations and commitments and will use all reasonable endeavours to ensure that LI Limited does not suffer insolvency.

Directors and their Interests

The following are, or were, directors of the company:

Richard Laverick (appointed 18th July 2019)

Michael Sheldon (appointed 1st October 2019)

John Bourne (appointed 1st October 2019)

Simon Hall (appointed 1st October 2019)

William Lifford (appointed 1st October 2019; resigned 1st March 2020)

Peter Connor (appointed 10th February 2020)

John Cross (appointed 1st March 2020)

Laura Ryan (appointed 1st June 2020)

Simon Hall and Peter Connor are executive directors of the Company; all other directors are non-executive.

None of the directors had any financial interests in the company.

Disclosure of Information to the Auditors

Each of the directors has confirmed that, so far as they are aware, there is no relevant audit information of which the company's auditors are unaware and that they have taken all the steps they ought to have taken as directors in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

Financial Instruments

The Company does not actively use financial instruments as part of its financial risk management strategy. It is exposed to the usual credit risk and cash flow risk associated with supplying services on credit and manages this through its customer relationship management systems. The nature of its financial instruments means that the company is not exposed to price risk or liquidity risk.

Payment to Creditors

It is the Company's policy to pay all debts due to creditors within thirty days of receipt of valid invoice, unless otherwise specified in the contract. The average number of days between supply and payment in 2019-20 is 32.

Livestock Information Limited
18 July 2019 to 31 March 2020

Auditors

The Comptroller and Auditor General has been appointed as the Company's external auditor.

Approved by the Directors and signed on behalf of the board

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

Simon Hall

Managing Director and Accounting Officer

21 October 2020

Governance Statement

Scope of Accounting Officer's Responsibility

As Accounting Officer, I have responsibility for maintaining a sound system of internal controls that support the achievement of our corporate objectives and functions, and for reviewing its effectiveness.

My responsibilities as Accounting Officer also include ensuring the propriety and regularity of our public finances, keeping proper records, and safeguarding our assets. These are set out in 'Managing Public Money' published by Her Majesty's Treasury (HMT). I am accountable (through the Defra Principal Accounting Officer) to Parliament.

My review is informed by the work of the internal audit service, other external assurance (for example the assurance provided to our parent organisation which provides certain services to us), and those people within the Company who provide support to our approach to corporate governance and risk management. I also have visibility of internal reporting on the development and maintenance of assurances and the plans that we have in place to address weaknesses in our internal control framework to ensure continuous improvement. My view will also in future be informed by comments made by the external auditors in their annual audit completion report.

Although my appointment was not formally made until after the end of the reporting period, it had retrospective effect from 1st October 2019 (the date on which the company began its operations). Throughout the reporting period I fulfilled the responsibilities of the accounting officer in anticipation of the appointment being made.

Overview

Livestock Information Limited (the Company) is a company limited by guarantee with two members. The Agriculture and Horticulture Development Board (AHDB) has 51% voting rights and Defra has 49% voting rights and we are therefore a subsidiary under the control of AHDB which is itself controlled by Defra. The relationship of the company to its members is governed by an agreement (the Delivery Agreement) which sets out the purposes of the Company and the rights and obligations of each of the parties to that agreement.

The Delivery Agreement requires an annual business plan to be produced by the Company and agreed with each of the members and this plan forms the basis of the Company's operations during each financial year. It also sets the limits of the company's operations and expenditure.

The governance arrangements are set out in the Company's Governance Operating manual which has been agreed by the Company's Board and by the Company's members.

Accounting Officer's Statement on Governance and Internal Control

Having reviewed the assurances I received and the evidence provided from risk management and the assurance framework, I am satisfied that the Company maintained a sound system of internal controls during the relevant period of operation. Where control issues arose over the period, they have been, or are in the process of being, mitigated.

The following paragraphs set out the practical application of the internal control arrangements and issues dealt with during the period from the commencement of operations to 31st March 2020.

Corporate Governance Code

The Company is committed to complying with the principles of the Corporate Governance Code, complying with the Code in the following ways:

The Board should provide leadership and company purpose – the members of the Company have set clear objectives for the company and the Board is committed to delivering outcomes that meet those objectives. It has commissioned a business plan and follows progress of delivery against the plan. More information about the Board's meetings and the matters it has considered are set out below.

There should be appropriate division of responsibilities – the Board consists (in line with the requirements of its Articles of Association) a mixture of executive and non-executive directors. No single grouping can dominate the decision making. The processes for making decisions and for providing scrutiny are set out in the Governance Operating Manual to ensure that, below Board level, there is a division of responsibilities and scrutiny of decision-making

There should be formal, rigorous and transparent procedure for board appointments - the composition of the Board and the ways in which appointments are made are set out in the Company's Articles of Association. Appointments of non-executive directors are made in line with the Public Appointments process and appointments of executive directors follow the principles set out by the Civil Service Commission. The Board intends to review its operations annually but has not been in existence long enough for a review to have taken place.

The board should ensure that there are appropriate arrangements for audit, risk management and internal control – both internal and external auditors have been appointed and will support the work of the Board and contribute to the effective management of the Company. The arrangements for risk management and internal control are described in more detail below.

The board should ensure that there are appropriate remuneration policies – remuneration of Board members is determined by the policies and processes of the members of the Company and the Board has no direct control over its remuneration.

Board

Board structure

The Board is accountable to the members of the Company (Defra and AHDB) and has full responsibility for all matters relating to the Company and its operations and the power to make any necessary decisions. The Board can exceptionally be directed by the members but only through a special resolution, which would require the support of both members.

The Board structure is defined by the Company's Articles of Association. There is a chair and there are six other directors, all appointed by processes set out in the Articles of Association. At the end of the reporting period there were six directors in office: the non-executive chair, three other non-executive directors and two executive directors (the Managing Director and the Finance Director). The remaining non-executive director role was filled after the end of the reporting period (on 1st June 2020). Board members and their appointment dates are listed on page 3.

The key responsibilities of the Board are set out in the Company's Articles of Association and are set out in more detail in the Delivery Agreement and the Governance Operating Manual. In line with the provisions of the Governance Operating Manual, the Board has regard to the principles of the Corporate Governance Code for Central Government Departments 2017 and those of 'Managing Public Money'. In respect of the provisions of both of these that are applicable to the Company, there have been no departures.

Board Attendance

All five members of the Board who held office at the time attended the December Board meeting. All six members of the Board who held office at the time attended the March Board meeting. There was therefore a 100% attendance.

Information Supplied to the Board

The Board receives a monthly report within two weeks of the month end which sets out the current financial position, delivery of key operational targets and a summary of the key risks to the Company and how they are being managed. In addition, the Board receives papers at its meetings on any matters that are of significance to the Company particularly where the Board is being asked to make decisions. Through the processes of financial management and control the Audit and Risk Assurance Committee considers the information used by the Board to be of good quality.

Board Committees

At present the Board has only one committee, the Audit and Risk Assurance Committee (the ARAC). It is also advised and supported by the Remuneration and Nominations Committee of AHDB.

Board meetings

During the reporting period there were two meetings of the Board. The first meeting was held on 10th December 2019 and, as it was the inaugural meeting of the Board, the main business transacted related to establishing governance documents. The control framework, described within this document, was approved though it was noted that more detail would be needed at a later date; a scheme of delegation was agreed, setting out the powers reserved to the Board and providing for all other decisions to be delegated to the managing director (though these decisions were to be made so that they were consistent with the Governance Operating Manual) and there was agreement that the ARAC should be established.

The full business case approved by the members, HM Treasury and the Cabinet Office was noted and the business plan for the initial period was approved.

The second meeting of the Board was on the 3rd and 4th March 2020. In this meeting the Board examined in detail the arrangements for delivery of the programme (which forms the greater part of the activity and expenditure of the Company in its early stages) with the intention of understanding the risks and the way they were being managed. The Board also considered the information it would need to discharge its governance responsibilities in this respect.

Board Effectiveness

The Board did not review its effectiveness as this was the first period of its operation. It intends to conduct a review annually in future years.

ARAC Meeting

The ARAC is a committee of the Board, established in accordance with the HM Treasury guidelines set out in Managing Public Money. The Committee supports the Company's Board by reviewing the comprehensiveness and reliability of assurances on governance, risk management, the control environment and the reliability and integrity of financial statements and the annual report

The inaugural meeting of the ARAC took place on 10th March 2020. Of the five members of the Committee, one post wasn't filled at the time of the meeting and one member sent apologies. The meeting was also attended by the Company's Managing Director, the Company's Finance Director, a senior AHDB finance representative and representatives of the external auditors. At that meeting the Governance Operating Manual was considered and agreed as an appropriate governance and control framework for the Company. Following the recommendation of the ARAC, the Company board adopted the Governance Operating Manual at its next meeting (held in the 2020/21 financial year). The ARAC agreed that the Governance Operating Manual will be reviewed in October 2020.

In addition, the ARAC considered the Company's approach to risk management and agreed that there should be a more detailed discussion at the next ARAC meeting, noting that effective risk management was a key to the Company's success.

The ARAC considered a specific risk relating to the status of contractors and the application of HMRC's 'IR35' rules. The Committee noted the measures taken to manage the risk and to minimise the risk of challenge by HMRC. It was satisfied that the residual risk was small and acceptable.

Internal audit arrangements were agreed in principle, with the intention of agreeing a programme of work for internal audit at the next meeting of the ARAC.

Although the ARAC had planned to consider the company's approach to data protection and the management of related risks, the discussion was deferred to the June meeting.

Risk Management

The Company has a risk and assurance strategy which aims to ensure that risks to the Company and the delivery of its services are identified and managed effectively. Effective risk management is fundamental to providing assurance to the Accounting Officer and the Board and risk identification and management is therefore embedded in the management process and in the Board's deliberations.

There is a risk register which assesses the probability and impact of each risk the countermeasures available to the Company and the means of mitigating the impact of risks that materialise. That risk register is reviewed by the executive management team on a weekly basis and any actions that are needed are agreed.

The key risks are reported to the Board monthly within the board report and are also considered as part of the agenda at meetings of the Board. The Board may discuss the risks as separate agenda items but will more usually consider them as part of their overall consideration of the management of programme and service delivery.

The ARAC has available to it the full risk register and considers the effectiveness of the risk management process. The ARAC has agreed that there will be an annual review of the risk management strategy, conducted in conjunction with the internal audit service, to assess the continued effectiveness of the system and to provide assurance on compliance.

The key risks reported to the Board during the reporting period were:

Cattle Tracings	<ul style="list-style-type: none">• Disaggregation of BCMS will add complexity to the way UK livestock data is managed• Changes may not be implemented in timely manner• Current arrangements are not well understood or recorded• There's an assumption that DDTS will provide an integration layer, which is yet to be validated.
GDS Service Assessments	<ul style="list-style-type: none">• The assessment process does not cater for the LIP approach due to its commercial strategy

Service & company identity	<ul style="list-style-type: none">The GDS exemption process predicates that all legal/statutory transactional services from central government Departments must be surfaced through gov.uk.
Third party software readiness	<ul style="list-style-type: none">Third party software may not be compatible with the LIS as we roll it out.

Expenditure Control Framework

The arrangements for securing effective internal control of expenditure are set out in the Governance Operating Manual. The Manual sets out delegations of authority and control arrangements to ensure that expenditure is incurred in line with the requirements for regularity and propriety set out in Managing Public Money and that other guidance issued by the Cabinet Office and HM Treasury on expenditure control are complied with.

The Company's internal audit service reports on compliance with the Governance Operating Manual and other requirements set out in the Delivery Agreement, the Articles of Association and guidance issued by HM Treasury and the Cabinet Office to the ARAC, which in turn reports to the Board.

Where use is made of the systems operated by the parent entity, the Agriculture and Horticulture Development Board (AHDB), compliance with control frameworks is reported to the AHDB ARAC. Cross membership between the Company's ARAC and the AHDB ARAC ensures that the Company's ARAC will be kept informed about any relevant matters.



Simon Hall

Managing Director and Accounting Officer

21 October 2020

Directors' Remuneration Report (Audited)

The Company's remuneration policy follows that of AHDB and seeks advice from AHDB Remuneration and Nominations Committee wherever appropriate. The table below summarises the emoluments of the Board Members during the period and includes cash-based allowances, where applicable.

	<i>Appointment</i>	<i>Emoluments Band 19/20</i>	<i>Full Year Equivalent</i>
<i>Simon Hall</i>	<i>Managing Director</i>	<i>£30k - £35k</i>	<i>£65k - £70k</i>
<i>Peter Connor</i>	<i>Finance Director</i>	<i>£5k - £10k</i>	<i>£45k - £50k</i>
<i>William Lifford</i>	<i>Chair</i>	<i>£0k - £5k</i>	<i>£0k - £5k</i>
<i>John Cross</i>	<i>Chair</i>	<i>£0k - £5k</i>	<i>£45k - £50k</i>
<i>Michael Sheldon</i>	<i>Risk & Audit Director</i>	<i>£0k - £5k</i>	<i>£0k - £5k</i>
<i>Richard Laverick</i>	<i>AHDB Director</i>	<i>£0k</i>	<i>£0k</i>
<i>John Bourne</i>	<i>DEFRA Director</i>	<i>£0k</i>	<i>£0k</i>

Simon Hall is an employee of Defra, the amount shown above is the amount reimbursed to Defra by the Company. The Board Chair appointment is funded equally between the Company and AHDB and independent non-executive Board appointments are funded by AHDB. The appointments of each member director are filled by employees of those members and are not remunerated appointments. There are no pension arrangements with the Company during the period for any director, nor were there any benefits in kind nor bonuses.

Statement of Accounting Officer and Directors' Responsibilities

The directors are responsible for preparing the Directors' report and the financial statements in accordance with the applicable law and regulations.

United Kingdom company law requires the directors to prepare financial statements for each financial year which give a true and fair view of the state of affairs of the company as at the end of the financial year and of the profit and loss of the company for that period. The directors have elected that the financial statements be prepared in line with UK GAAP. This refers to the version of FRS 102 applicable for accounting periods beginning on or after 1 January 2015. In preparing those financial statements, the directors are required to:

- select suitable accounting policies and then apply them consistently;
- make judgement and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures, disclosed and explained in the financial statements; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the company's transactions and disclose with reasonable accuracy at any time the financial position of the company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Disclosure of audit information to the auditor

In so far as the directors are aware:

- there is no relevant audit information of which the auditor is unaware; and
- the directors have taken all steps that they ought to have taken to make themselves aware of any relevant audit information and to establish that the auditor is aware of that information.

Defra has appointed Simon Hall as Accounting Officer of Livestock Information Limited.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding Livestock Information Limited's assets, are set out in Managing Public Money published by the HM Treasury.

By order of the Board:



Simon Hall
Managing Director and Accounting Officer
21 October 2020

Independent Auditor's Report to the Members of Livestock Information Limited

Opinion on financial statements

I have audited the financial statements of Livestock Information Limited for the period ending 31 March 2020 which comprise the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Financial Position and the related notes, including the significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and the United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice). I have also audited the information in the Directors' Remuneration Report that is described as having been audited.

In my opinion the financial statements:

- give a true and fair view of the state of the company's affairs as at 31 March 2020; and
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the Companies Act 2006.

Opinion on regularity

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

Basis of opinions

I conducted my audit in accordance with International Standards on Auditing (ISAs) (UK) and Practice Note 10 'Audit of Financial Statements of Public Sector Entities in the United Kingdom'. My responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of my report. Those standards require me and my staff to comply with the Financial Reporting Council's Revised Ethical Standard 2016. I am independent of the Livestock Information Limited in accordance with the ethical requirements that are relevant to my audit and the financial statements in the UK. My staff and I have fulfilled our other ethical responsibilities in accordance with these requirements. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Conclusions relating to going concern

I have nothing to report in respect of the following matters in relation to which the ISAs (UK) require me to report to you where:

- the Livestock Information Limited's use of the going concern basis of accounting in the preparation of the financial statements is not appropriate; or
- the Livestock Information Limited have not disclosed in the financial statements any identified material uncertainties that may cast significant doubt about the Livestock Information Limited's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the financial statements are authorised for issue.

Responsibilities of the directors for the financial statements

As explained more fully in the Statement of Accounting Officer and Directors' Responsibilities, the directors are responsible for:

- the preparation of the financial statements and for being satisfied that they give a true and fair view.
- such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.
- assessing the company's ability to continue as a going concern, disclosing, if applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

My responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (ISAs) (UK).

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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with ISAs (UK), I exercise professional judgment and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Livestock Information Limited's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Conclude on the appropriateness of the Livestock Information Limited use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Livestock Information Limited ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my report. However, future events or conditions may cause Livestock Information Limited to cease to continue as a going concern.

I communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

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

Other Information

Directors' are responsible for the other information. The other information comprises information included in the annual report, but does not include the parts of the Directors' Remuneration Report described in that report as having been audited, the financial statements and my auditor's report thereon. My opinion on the financial statements does not cover the other information and I do not express any form of assurance conclusion thereon. In connection with my audit of the financial statements, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or my knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a material misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.

Opinion on other matters prescribed by the Companies Act 2006

In my opinion:

- the parts of the Directors' Remuneration Report to be audited have been properly prepared in accordance with the Government Financial Reporting Manual;
- in light of the knowledge and understanding of the company and its environment obtained in the course of the audit, I have not identified any material misstatements in the Strategic Report or the Directors' Report; and
- the information given in the Strategic and Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements and those reports have been prepared in accordance with applicable legal requirements.

Matters on which I report by exception

I have nothing to report in respect of the following matters where the Companies Act 2006 requires me to report to you if, in my opinion:

- adequate accounting records have not been kept, or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the directors' remuneration report to be audited are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- I have not received all of the information and explanations I require for my audit

Peter Morland (Senior Statutory Auditor)

23 October 2020

For and on behalf of the

Comptroller and Auditor General (Statutory Auditor)

National Audit Office

157-197 Buckingham Palace Road

Victoria

London

SW1W 9SP

Financial Statements

Statement of Comprehensive Income

	Note	2019/20 £000's
Turnover	2	1,987
Other operating charges	3	<u>(1,987)</u>
Operating surplus/(deficit)		-
Interest receivable		<u>-</u>
Surplus/(Deficit) on ordinary activities before taxation		-
Tax on surplus on ordinary activities		<u>-</u>
Surplus/(Deficit) for the financial year		<u><u>-</u></u>

All activities related to continuing operations. There is no other comprehensive income.

Statement of Changes in Equity

	2019/20 £000's
Opening Reserves	-
Total recognised surplus/(deficit) for the year	<u>-</u>
Closing Reserves	<u><u>-</u></u>

The accompanying accounting policies and notes form part of these financial statements.

Statement of Financial Position

	Note	As at 31 March 2020 £000's
Non-current Assets		
Intangible assets under construction	7	3,463
Current Assets		
Receivables	8	1,668
Cash at bank and in hand		<u>38</u>
		1,706
Current Liabilities		
Payables	9	<u>(1,706)</u>
Total Current Liabilities		(1,706)
Net Current Assets		<u>-</u>
Non-current Liabilities		
Deferred Income	9	<u>(3,463)</u>
Total Assets less Liabilities		<u><u>-</u></u>
Capital and Reserves		
General reserves account		-
Members' Funds		<u><u>-</u></u>

These financial statements were approved by the directors and authorised for issue on 21 October 2020

Signed on behalf of the Board of Directors



Simon Hall

Managing Director and Accounting Officer
21 October 2020

Company Number 12111174

The accompanying accounting policies and notes form part of these financial statements.

Notes to the Financial Statements

1. Principal accounting policies

Accounting convention

The financial statements have been prepared in accordance with the Companies Act 2006 and, as appropriate, the Government Financial Reporting Manual ('FReM') and other guidance issued by HM Treasury where the disclosure requirements of these go beyond the Companies Act 2006. The financial statements have been prepared and approved by the Directors in accordance with Financial Reporting Standard 102 as it applies to the financial statements for the accounting period of 18th July 2019 to 31st March 2020. The company was dormant from incorporation on 18th July 2019 until it became operational on 1st October 2019.

This being the first report and set of financial statements for the company, there are no prior year comparators included. These financial statements cover the individual entity, Livestock Information Limited. The parent entity accounts are available from AHDB, Stoneleigh Park, Kenilworth, Warwickshire, CV8 2TL (see note 14 - Ultimate Party Undertaking and Controlling Party).

Going Concern

The Directors have considered the factors that may influence the company for the foreseeable future and believe that it is appropriate to prepare the accounts on a going concern basis. The factors that have led the Directors to this conclusion are:

- Defra ministers have indicated that this programme is an important component of delivering Defra's policies relating to animal health and welfare and also in the economic performance of the industry, particularly in relation to exports post EU exit.
- The business case for the programme which runs until the end of 2021-22 was approved by the Treasury as well as by Defra and the Directors think it unlikely that funding will be withdrawn at this stage (ie after substantial funding has already been committed but before any benefits can be realised).
- Defra, one of the two members of the Company, has agreed that it will fund the Livestock Information programme in 2020- 21 and that it intends (subject to the outcome of the Spending Review due to take place in 2020) to provide funding for later years, both for the programme and for service delivery.
- The Directors have considered in some detail the impact of COVID-19 on the Company's delivery plans and have concluded that there will be no material impact from COVID-19 on the delivery of the programme or the costs in business case. There will, however, be some impact on the timescales of parts of the programme that will result from changing the sequence of activities.

- The delays that are expected mean that, in some cases, new services will be delayed by up to a year with a consequent impact on the benefits that the programme is expected to realise. We have therefore re-examined the economic case which underpinned the full business case, building in delays to benefit realisation of one or two years in the areas most affected by the re-planning. Although the net gain is less than in the initial case, it remains strongly positive. The fundamentals of the business case are therefore unchanged.
- Following the re-planning exercise, we expect our progress and expenditure in 2020-21 to be broadly in line with the business case so that we will be ready to deliver the first part of the service in the later part of the year, with full rollout on a phased basis over the following two years.
- If the funding for 2021-22 were to be reduced (even by a substantial amount), the Company could still continue to operate, though with slower delivery and consequent delays in benefit realisation.
- AHDB has agreed (as part of the delivery agreement) that it will support LI Limited with its financial obligations and commitments and will use all reasonable endeavours to ensure that LI Limited does not suffer insolvency.

Cash flow statement

The company has taken advantage of the exemption from preparing a cash flow statement in accordance with Financial Reporting Standard 102, as it is a subsidiary undertaking whose parent undertaking, Agriculture and Horticulture Development Board (AHDB), prepares a consolidated cash flow statement.

Turnover

Turnover comprises revenue recognised by the company in respect of services supplied, exclusive of Value Added Tax and any trade discounts.

Operating costs

Cost of sales will include all costs incurred including staff costs as detailed in note 5. Administration costs include direct costs and staff costs as detailed in note 5.

Employee benefits & Headcount

Employee benefits are recognised in the period in which the benefit is earned by the employee. This may result in an accrual for any annual leave entitlement earned but not yet taken at the end of the financial year.

Intangible fixed assets and amortisation

Non-current assets are stated at cost, following the cost model of FRS 102 (there is a de minimis limit of £1,000) less amortisation. Amortisation is provided at rates calculated to write off the cost of the assets, less any estimated residual value, on a straight-line basis over their expected useful lives: core software systems - 10 years.

Assets under construction

Assets under construction are shown at accumulated cost. Costs considered for capitalisation follow the guidance of FRS 102 and include the asset's purchase cost (if applicable) and any costs of development activity where that activity is clearly identifiable and directly attributable to bringing the asset into its intended working state.

Once the asset is completed it is transferred to the relevant asset class with depreciation or amortisation commencing when the asset is brought into service.

Government Grants

Government grants are recognised following the accrual model under FRS 102 with the income received from Defra in connection with the intangible asset under construction being treated as a grant relating to assets. That income is deferred and recognised on a straight-line basis over the useful life of the asset, once it is completed and in an operational state.

Pensions

The company's employees who are eligible for a pension are enrolled into AHDB's group WorkSave Pension Plan which is a defined contribution scheme provided by Legal & General. The amounts charged as expenditure for the defined contribution scheme represent the contributions payable by LI Limited for the accounting period in respect of that scheme.

Financial instruments

LI Ltd does not hold any complex financial instruments. The only financial instruments included in the accounts are receivables and payables.

Receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Payables

These are initially recognised at fair value and are subsequently measured at amortised cost.

Corporation Tax

The activities of LI Limited relating to transactions with Defra fall within the definition of mutual trading which results in no corporation tax arising. Transactions with entities other than members are subject to corporation tax.

Value Added Tax

LI Limited activities fall within the scope of VAT. The company recovers input VAT incurred on purchases of goods and services where it is recoverable and charges VAT on invoices to customers for taxable services supplied. Figures in the accounts are net of chargeable and recoverable VAT.

2. Turnover

	2019/20 £000's
Rendering of Services:	
Livestock Information Programme Delivery	5,450
Income deferral related to asset creation	(3,463)
	<hr/> 1,987 <hr/>

All turnover arose in the UK as grant income from Defra. Income related to the creation of the service asset was deferred and will be recognised on a straight-line basis over the expected life of the asset in line with the principle accounting policy for government grants (Note 1).

3. Operating Costs

	2019/20 £000's
Programme Delivery costs	1,681
Administration costs	306
	<u>1,987</u>

Administration costs include a charge of £25k (excl. VAT) for the external audit of the company accounts.

4. Directors' Emoluments

	2019/20 £000's
Emoluments	<u>44</u>

During the year there were no retirement benefits accruing to Directors in respect of money purchase or defined benefit pension schemes. The Remuneration Report on page 18 includes further information relating to Directors' emoluments.

An amount of £35k included in the £44k total is accrued as payable to Defra in consideration for Simon Hall's services as a director for the period.

5. Staff Costs

	2019/20 £000's
Wages and salaries	6
Social security costs	1
Pension costs	-
	<u>7</u>

There was 1 employee at the reporting date (at management level) with an average monthly number of employees over the reporting period of 0.2. LI Limited delivered services through a team of seconded staff from its members' organisations (see note 12 - Related Party Transactions) and specialist contractors.

AHDB operates a number of approved retirement benefit arrangements in the UK encompassing defined benefit and defined contribution schemes. The scheme into which eligible LI Limited employees are enrolled is the AHDB Worksave Pension Plan, a defined contribution scheme.

As of 31 March 2020, no employees have been enrolled into the scheme and no expenditure has been recorded in relation to the scheme. Full details of the pension scheme in which the company's employees may be members are given in the AHDB Annual Report and Accounts.

6. Corporation Tax

All income generating transactions for the period are with a member of LI Limited (Defra) and have been considered as mutual trading leading to no corporation tax arising.

7. Intangible Non-current Assets

	Asset Under Construction £000's	Total £000's
Cost or Valuation		
Additions	3,463	3,463
Disposals	-	-
As at 31 March 2020	3,463	3,463
Amortisation		
Charge for the year	-	-
Relating to disposals	-	-
As at 31 March 2020	-	-
Net Book Value as at 31 March 2020	3,463	3,463

As at the reporting date the asset is a work in progress and valued at cost. The intangible asset being constructed is the core traceability service IT system. The cost includes development activity where that activity is clearly identifiable and directly attributable to bringing the asset into its intended working state. Non-capitalised research and developments expenditure related to the asset was £460k during the period.

8. Receivables

	at 31 March 2020 £000's
VAT	700
Prepayments and accrued income	968
	1,668

9. Payables and Deferred Income

	amounts falling due within one year at 31 March 2020 £000's	amounts falling due after one year at 31 March 2020 £000's
Trade payables	23	
Amounts owed to parent	13	
VAT	275	
Social security & other taxes	3	
Accruals	1,392	
Deferred Income	-	3,463
	<u>1,706</u>	<u>3,463</u>

The deferred income value above of £3,463k relates to income received in connection with the build of the intangible asset under construction, the core traceability service IT system, see Note 7. This income is deferred and will be recognised through the profit and loss account over the life of the asset once it is in service. Operational restrictions due to Coronavirus have resulted in changing the planned sequence of activities with the current expectation that the IT system will be operational in 21/22.

10. Financial Instruments

LI Ltd does not hold any complex financial instruments. The only financial instruments included in the accounts are receivables and payables. The fair values of all its financial assets and liabilities approximate to their net book values as follows:

	at 31 March 2020	
	Loans and Receivables £000's	Other Financial Liabilities £000's
Trade and other receivables		
Trade receivables	-	
Accrued Income	968	
Cash and equivalents	38	
Trade and other payables		
Trade payables		23
Social security & other taxes		3
Amounts owed to parent		13
Accruals and deferred income		4,855
	<u>1,006</u>	<u>4,894</u>

11. Company Limited by Guarantee

The company is a private company limited by guarantee and consequently does not have share capital. Each of the members is liable to contribute an amount not exceeding £1 towards the assets of the company in the event of liquidation. The number of members at 31 March 2020 was two (AHDB and Defra).

12. Related Party Transactions

LI Limited is a company limited by guarantee with two members; AHDB and Defra (see notes 11 and 14). During the reporting period, LI Limited has entered into transactions with both of its members. The transactions with Defra constitute the total of the company turnover for the reporting period and seconded staff resources to the value of £139k. The transactions with AHDB were for corporate services and seconded staff resources totalling £98k.

The Company also entered into transactions with Public Health England for seconded staff resources for a total of £19k. Transactions with senior members of staff can be found in the remuneration report.

13. Events After the Reporting Date

There were no other events after the reporting date that require disclosure or adjustment to the financial statements.

The assessment of the impact of the Coronavirus pandemic is addressed in the Going Concern section in Note 1 and the Strategic Report.

14. Parent and Ultimate Controlling Party

The parent and ultimate controlling party of the company is the Agriculture and Horticulture Development Board (AHDB). AHDB is a Non-Departmental Public Body (SI 2008/576) under the sponsorship of Defra. The parent entity accounts are available from AHDB, Stoneleigh Park, Kenilworth, Warwickshire, CV8 2TL.

Defra is a member of the company and represents a non-controlling interest as a result of its 49% share of member voting rights. AHDB holds the remaining 51% of member voting rights.

15. Contingent Liabilities

There are no contingent liabilities for the current reporting period.

16. Commitments

The company has future estimated financial commitments due to existing contracts totalling £2,335k of which the sum of £1,211k relates to capital expenditure