



Agriculture & Horticulture  
DEVELOPMENT BOARD

## **Agriculture and Horticulture Development Board Annual Report and Accounts 2012/13**

AHDB



**DairyCo**





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# **Agriculture and Horticulture Development Board Annual Report and Accounts 2012/13**

Presented to Parliament, the Scottish Parliament, the National Assembly for Wales and the Northern Ireland Assembly, pursuant to Article 13 of The Agriculture and Horticulture Development Board Order 2008

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**Fifth Annual Report to the Secretary of State for Environment, Food and Rural Affairs, Scottish Ministers, Welsh Ministers and Northern Ireland Ministers, and Statement of Accounts for the year ended 31 March 2013.**

**Auditor:** Comptroller and Auditor General, National Audit Office  
157-197 Buckingham Palace Road, London SW1W 9SP

# About AHDB

## Serving the levy payer

### What we are

The Agriculture and Horticulture Development Board (AHDB) is a statutory levy board. We are funded by farmers, growers and others in the supply chain through statutory levies. The funds raised from each commodity sector are ring-fenced to ensure they are used only to the benefit of the sector from which they were raised.

### What we do

Our purpose is **to make our agriculture and horticulture industries more competitive and sustainable** through factual, evidence-based advice, information and activity:

- We manage extensive **research and development** programmes which are delivering scientifically robust and commercially useful outcomes for our levy payers
- We undertake efficient **farm-level knowledge transfer** programmes based on evidence, both from third party science and our own R&D, aimed at improving efficiency, productivity and sustainability
- We provide unbiased, high quality **market information** that helps business decision making and improves supply chain transparency
- We carry out **export market development** work and also domestic marketing activity to **inspire and inform consumers** in order to assist the economic viability of sectors which require this
- We raise awareness of food and where it comes from among **school children** and we help ensure the agriculture and horticulture industries are able to develop and attract workers with the **skills** they need
- We also ensure that proper **account is taken of Government priorities** for agriculture and the agri-food industry, where appropriate.

### Structured for levy payer focus

Levy payers are at the heart of what we do. In order to deliver genuine levy payer focus our delivery of support services to them is focused through six branded operating divisions, one for each sector covered by our remit. This focus is enhanced by six sector-specific boards (sector boards) made up mainly of levy payers. These boards help us to develop the most appropriate levy-funded strategies to meet the challenges faced in each sector; they also help us deliver good levy payer accountability:

- Pig meat in England – through our BPEX division
- Milk in Great Britain (GB) – through our DairyCo division
- Beef and lamb in England – through our EBLEX division
- Commercial horticulture in GB – through our HDC division
- Cereals and oilseeds in the UK – through our HGCA division
- Potatoes in GB – through our Potato Council division.

*A list of sector board members can be found on pages 72 to 73.*

### Corporate objectives 2012/13

AHDB's five corporate objectives are to:

1. Deliver value for money for levy payers in everything we do
2. Improve efficiency and productivity in the industry to help levy payers have thriving businesses
3. Improve marketing in the industry to help profitability and customer awareness
4. Improve services that the industry provides to the community
5. Improve ways in which the industry contributes to sustainable development.

### Group structure

In addition to the levy-funded operation, there is one subsidiary in the AHDB group that actively trades, called Meat & Livestock Commercial Services Limited (MLCSL). It provides data, advice, logistics and inspection services to the meat and livestock industry on a commercial basis. All MLCSL costs were fully accounted for within the company and any profits returned to AHDB to supplement levy funds. A further wholly-owned subsidiary company, Sutton Bridge Experimental Unit Limited (SBEU) is used to hold the property occupied by the AHDB potato research and development facility. All trading income and operating costs of the unit are received and incurred directly by AHDB as part of the Potato Council division's operating results.

### Registered office

Agriculture and Horticulture Development Board, Stoneleigh Park, Kenilworth, Warwickshire CV8 2TL

**Further information on AHDB and its operating divisions is available via [www.ahdb.org.uk](http://www.ahdb.org.uk)**

# AHDB Board and statutory committees at 31 March 2013

## AHDB Board

### Chair:

John Godfrey CBE

### Independent members:

Professor Chris Bones (end of term in office 31 March 2013)

Lorraine Clinton

Tim Kelly (appointed by Ministers on 13 August 2012)

*Will Lifford was appointed to the Board by Ministers on 1 April 2013*

### Sector board chairs:

Tim Bennett, GB milk – DairyCo

Neil Bragg, GB horticulture – HDC

John Cross, English beef and lamb – EBLEX

Stewart Houston CBE, English pigs – BPEX

Allan Stevenson, GB potatoes – Potato Council (end of term in office 31 March 2013)

Jonathan Tipples, UK cereals and oilseeds – HGCA

*David Piccaver was appointed to the Board as Chair of GB potatoes – Potato Council by Ministers on 1 April 2013*

*Biographical details of Board members are published on [www.ahdb.org.uk](http://www.ahdb.org.uk)*

*A register of AHDB Board member interests is maintained and can be obtained by writing to: Administration, Agriculture and Horticulture Development Board, Stoneleigh Park, Kenilworth, Warwickshire CV8 2TL*

## Statutory committees

### AHDB Audit Committee

Professor Chris Bones (Chair) – AHDB independent Board member

Neil Bragg – AHDB Board member

Lorraine Clinton – AHDB independent Board member

John Cross – AHDB Board member

Ian Martin – Independent, DairyCo sector board member

Jonathan Tipples – AHDB Board member

*Professor Bones was replaced as Chair of the Audit Committee from 1 April 2013 by Will Lifford.*

*Audit Committee terms of reference are published on [www.ahdb.org.uk](http://www.ahdb.org.uk)*

### AHDB Remuneration and Nominations Committee

Lorraine Clinton (Chair) – AHDB independent Board member

Tim Bennett – AHDB Board member

Stewart Houston CBE – AHDB Board member

Allan Stevenson – AHDB Board member

*Tim Kelly replaced Lorraine Clinton as Chair of the Remuneration and Nominations Committee from 1 April 2013.*

*Lorraine Clinton continued as a committee member. Allan Stevenson was replaced on the Committee from 1 April 2013 by David Piccaver.*

*Terms of reference are published on [www.ahdb.org.uk](http://www.ahdb.org.uk)*

# Chair's foreword

## Maintaining momentum

The food and drink sector is the United Kingdom's biggest manufacturing industry and our food chain employs around 3.5 million people (13.6%) and contributes £85 billion (6.9%) to our economy.

The year to 31 March 2013 was an exceptionally difficult period for many of our farmers and growers. Drought followed by excessive rainfall and prolonged cold weather tested growers and stockmanship to the limit. The ramifications will continue to impact on crop and livestock producers in the year ahead.

As a levy board, we exist to address areas of market failure. We play a pivotal role in helping to make our agricultural and horticultural industries more efficient, competitive and sustainable. Over the last year we have added value to the industry in many ways, both at the strategic level as well as at the very practical individual business level.

Strategically we delivered in two ways – firstly, we helped inform the debate and decision making process within United Kingdom Government, for stakeholders and the European Union through providing factual, evidence-based information and market analysis. For example, on the Common Agricultural Policy (CAP) reform our analysis on potential impacts of different policy options/proposals was an essential component to these groups understanding some of the possible ramifications. We were also a primary contributor to the Defra Green Food Project, the Agri-Food Export Forum and other policy advisory platforms.

Secondly, we worked with industry partners to map out and help co-ordinate the way ahead on key strategic issues – industry skills and delivering agriculture and horticulture's share of the nation's carbon reduction commitments through the Greenhouse Gas Action Plan. We helped to spell out the industry's view on the research priorities for United Kingdom agriculture in order to help guide policy makers and funding providers over the next two decades – this work contributed towards shaping the Government's emerging Agri-tech Strategy.

At the sharp end we provided very practical support to help the primary production and supply chain businesses (our levy payers) operate more efficiently and overcome immediate issues (see examples on pages 9 to 17).

There is clear evidence that more efficient businesses are more environmentally and economically sustainable. As a direct consequence of the immense amount of work we do to improve business margins and productivity we are also helping to deliver the environmental goods expected from agriculture and horticulture. For example, greenhouse gas emission modelling for beef cattle shows that the carbon footprint has been reduced to 14.41kg of carbon dioxide equivalents (kg CO<sub>2</sub>-e) per kilogram of liveweight – it was 23.05kg CO<sub>2</sub>-e in 1970.

Our export development work helped to make food and farming one of the only growth sectors of the UK economy, at a time of significant economic downturn. For example, on the back of the agreement of export certificates with China, pork exports last year were grown

to 25% of UK production, worth in the region of £275 million. This almost equals the highest level achieved before export markets were lost with the outbreak of Classical Swine Fever, followed by Foot and Mouth Disease, in 2000 and 2001 respectively.

China represents an important emerging market for our industries so we have been in discussion with Government to part-fund a three-year dedicated agricultural attaché post in the British Embassy to help develop export opportunities for our levy payers.

Looking ahead, the AHDB Board and Senior Executive Team held a strategy day to look at AHDB priorities to support levy payers over the next five to ten years. The output was that AHDB should work to five core priorities and that future business plans would be structured around delivering against these by helping the levy payers:

1. Improve productivity and cost management (resource management, climate change, soils and water, managing market volatility)
2. Prevent and manage disease
3. With trade development (export development, promoting and differentiating assured quality products, market information and analysis)
4. Understand and respond to the regulatory and policy environment
5. With the labour market and skills development.

Two Board members stepped down on 31 March 2013 at the end of their term in office – Professor Chris Bones (independent) and Allan Stevenson (chair of Potato Council sector board). During their terms, both made a considerable contribution to the Board's development of AHDB as an organisation, including the strengthening of corporate governance. I would like to thank them for their tremendous contribution.

In 2013/14, AHDB faces a test of its importance to the industry through its first full Government Triennial Review.

We also enter 2013/14 with a lot of farming businesses trying to recover from the buffeting by the weather. We face the prospects of a reformed Common Agricultural Policy and the industry is struggling under the on-going burden of regulation. The following report shows how AHDB helps address some of the challenges facing levy payers and adds value to their businesses.

**John Godfrey CBE**  
**Chair**  
**Agriculture and Horticulture Development Board**

*John is a farmer. He is a Fellow of the Royal Agricultural Societies, a trustee of the Lincolnshire Agricultural Society and has held many posts in agriculture and other organisations.*

# Chief Executive's report

## Adding value for levy payers

### Introduction

AHDB's purpose is to make our industry more competitive and sustainable.

In delivering this role AHDB is defined by our people, who are extremely dedicated, highly knowledgeable and skilled. At our core we are an industry knowledge house, which is becoming more valuable as austerity measures reduce the number of experienced experts from Government departments and commercial operators.

My job is to get the best out of the AHDB team, ensuring good value for money as part of our overall delivery of effective front-line services to benefit our levy payer businesses.

### Our financial performance

Last year, we budgeted for both operating and retained surpluses for the 2012/13 financial year and I'm pleased to report that we have achieved this for the second year in succession, with total comprehensive income of £2.2 million for the year.

The amount of funds spent on direct levy payer facing activities increased by £2.9 million over the previous year to a record £53 million and the surplus has served to complete the rebuild of AHDB's reserves to our desired level. Direct expenditure is budgeted to increase by a further £2 million over the coming three years.

The in-house levy collection team continued to work pro-actively with divisional directors to develop our credit collection procedures. This led to a reduction in levy debtors of £1.7 million and improved cash flow which assisted AHDB to maintain a prudent level of liquid reserves to meet its ongoing commitments and liabilities as they became due during the year.

On average, 12.5 pence in every pound of income was spent on support costs in the year ending 31 March 2013 compared to 13 pence for the year ending 31 March 2012 and 15 pence for the year ending 31 March 2011. Our target is to bring it down to 12 pence by 2014. Central support costs were 7.9 pence in every pound of income.

### Our governance

Our systems of internal control, risk management and corporate governance further improved during the year, with all areas of the organisation moving to an internal audit rating of amber/green. This helped to provide the Audit Committee and the AHDB Board with additional assurance in our management controls.

Good risk management helps us to foresee and manage the risks that could impact on our delivery of services for levy payers. By prompt identification of risks, agreement of mitigating actions and monitoring the status of those actions we managed the chance of risks actually impacting on service delivery. We continued to develop our risk management processes during 2012/13 by embedding them further into management processes across AHDB through training of divisional teams.

Health and Safety is a key issue for our industry. The AHDB Board and the Senior Executive Team (SET) provide positive and committed leadership on this. During the year every member of SET completed the Institution of Occupational Safety and Health (IOSH) Directing Safety for Small to Medium Enterprises course.

Detail on our governance structure and progress during the year can be found on pages 28 to 32.

### Delivering cost-efficiency

Delivering good 'value for money' for levy payers is a cornerstone of AHDB policy. In 2011/12, an analysis of AHDB savings by the Audit Committee showed that reductions in annual costs exceeded £3.8 million in real terms when compared to the combined support costs of the former levy boards in the last year, pre-merger (2007/08). I am pleased to report that we managed to maintain this level of saving in 2012/13, as forecast.

Working together, both across our own sector-focused operating divisions as well as with external partners is achieving significantly better return on investment for levy funds. For example, during 2012/13 we had 39 joint sector-funded R&D projects valued at £15 million – one of these is where our crop divisions (HDC, HGCA and Potato Council) are sharing the cost of a project on insecticide resistance management in the peach-potato aphid - each sector will benefit from the work but for a third of the cost to each levy of doing it alone. Welsh Government money has enabled significantly more and better co-ordinated, dairy sector work to take place in Wales. In Scotland, 50% Scottish Government funding enabled two very successful monitor farms to be set up to assist cereal growers. Meanwhile, Rural Development Programme for England money from Defra and the European Union is significantly boosting the capacity of levy funded farmer skills development.

These types of joint divisional-funded projects are now normal practice across each of our functional areas – R&D, Knowledge Transfer, Marketing, Trade Development and Communications – delivering good value for money for our levy payers. Some more examples can be found in the management commentary starting on page 9.

This search for efficiencies includes prudent procurement of services. Our small procurement team continued to identify areas where procurement savings may be generated, as well as ensuring AHDB complies with EU procurement requirements. The target of £300k savings in the year was exceeded by more than 30%.

### Accountability to our levy payers

Levy payers are at the heart of what we do and accountability to these customers is very important to us. We achieve this through our structure and levy payer involvement is reflected in the delivery of all our services.

Levies are raised on the express industry understanding they will be used for delivering benefits agreed through consultation with the industry.



We have sector boards, sub-committees and panels comprising levy payers and other industry stakeholders who shape all our work programmes and propose required levy rates. The sector boards are at the heart of this, giving a focus to ensuring value for money for the levy payer. The chairs from these six sector boards sit on the main AHDB Board.

During the past year, we held regular sector-focused open meetings, conferences and workshops for levy payers and industry stakeholders around the UK, giving those that choose to plenty of opportunity to engage. Our teams exhibited at most of the major agricultural and horticulture events. We consulted widely on our Corporate Plan and the proposal for no change to levy rates for 2013/14.

## **Our people**

AHDB is defined by our people. Successful and effective delivery for levy payers is down to us having the right people in the right roles, with the right training and development and holding them accountable for their performance.

The two biggest people development work-streams during the year were our Job Evaluation and HR Matrix projects. These will be completed during 2013/14 and will provide the organisation with more robust and clearer information and a defined structure on the grading of the roles, responsibilities and skill sets of our people. This will give us a clearer management understanding of career development and enable the progression of performance management systems and staff data which analyses and provides information on recruitment/retention policies, absence and performance management.

These projects will not only help us to more effectively develop the most appropriately skilled workforce to deliver the services to our levy payers, they will also help us to be more cost efficient in our people management.

Our five values identified by staff in 2011/12 – value for money; excellence; transparency; customer focus and people – were rolled out across the organisation during 2012/13. They are helping to shape the culture of the organisation and have been linked into our performance management process. Collateral material was produced to help constantly remind and prompt staff about the values.

To measure progress and to benchmark where we had got to, we undertook our first comprehensive staff survey. 84% of staff voluntarily took part and the results were extremely positive, especially considering our difficult journey over the last five years. The responses showed we are getting lots of things right. For example, 85% of respondents felt that AHDB was a good employer and 82% found their work motivating. Obviously, there are some areas which require further work and actions to improve these have been agreed. The Board has decided that the same survey will be run for three consecutive years to enable comparisons to be made.

The survey results have helped to shape some of the 2013/14 objectives for the Senior Executive Team, whose teamwork, management and communication will be fundamental to making year-on-year progress.

## **The voice of AHDB**

The industry started to benefit from the development of a stronger 'AHDB voice' on industry issues and our input is

increasingly being sought on matters where our evidence-based information can add value to the decision/policy-making process.

Over the last year, we have contributed senior expertise to groups including: Defra's CAP Reform Stakeholder Group; Scotland Food & Drink Executive Group; Defra's Agri-Food Export Forum; IGD's Policy Issues Council; the Steering Board of the Centre of Excellence for UK Farming; the Advisory Committee on Pesticides (ACP); The All Party Parliamentary Committee on Science and Technology for Agriculture; the Food Research Partnership; the Technology Strategy Board's Sustainable Agri-Food Innovation Platform Steering Committee; the Biosciences Knowledge Transfer Network Board; the Greenhouse Gas Action Plan Steering Committee; Defra's Task Force on sustainable growing media; the Food and Environment Research Agency Science Advisory Board; the industry AgriSkills Forum; the Assured Food Standards Board; the European Academies Science Advisory Council; the UK Plant Science Federation Executive Committee; the Consultative Group for the Food Theme of Scottish Government RESAS Programme and the Committee on Climate Change Adaptation Sub-group.

We also responded to more than 17 Government/Agency consultations on behalf of the industry.

## **Ballot process**

The Statutory Instrument under which AHDB operates allowed for levy payers, from 1 April 2012, to request a ballot on the continuance of a particular levy. If 5% of levy payers in any sector write to AHDB then a ballot will be called for that levy and the results sent to Ministers for a decision.

Following the publicity of the launch, AHDB received a total of ten ballot requests – one in April 2012 and nine in June 2012. There were no subsequent requests received during 2012/13 even though we publicised the ballot process in trade journals and on our website. As a consequence no ballot was called during the period.

## **Looking ahead**

AHDB made a difference in 2012/13 – on areas such as export market development, soils, water, climate change, on animal and plant health, in schools, with skills in the industry, on essential market information and with differentiating assured quality products. We will continue to develop what we can offer in these areas.

During the year ahead, we will see the announcement on CAP reform, the start of the bovine TB badger cull and the launch of the BIS/Defra Agri-tech strategy – all major influences on the future of the industry. However, the weather will continue to dominate the immediate fortunes for many of our levy payers and we will use our expertise to help them cope with the volatility this brings.

**Tom Taylor**  
**Chief Executive and Accounting Officer**  
**Agriculture and Horticulture Development Board**

# Management commentary

## AHDB, making businesses more competitive and sustainable

Our levy funded front-line services are aimed at making our levy payer industries more competitive and more sustainable.

To achieve this, we undertake research and development (R&D) and farm-level knowledge transfer (KT) activity. We also provide essential market information to improve supply chain transparency; we deliver marketing promotion activities to help stimulate demand and differentiate assured quality products and we also work to maintain and develop export markets.

In order to deliver effective levy payer focus and accountability, AHDB is organised divisionally with six operating divisions representing the commodity sectors covered by its statutory remit. Sector-specific activity is delivered under the established brands of BPEX (pigs in England), DairyCo (milk in GB), EBLEX (beef and lamb in England), HDC (horticulture in GB), HGCA (cereals and oilseeds in the UK) and Potato Council (potatoes in GB).

The following pages highlight some of the key outputs delivered and outcomes achieved, both jointly across AHDB and sector-specifically:

- **Greenhouse Gas Action Plan (GHGAP):** Increases in efficiency impact positively on greenhouse gas (GHG) reduction per unit of production and so all AHDB divisions contributed to implementing the industry's Greenhouse Gas Action Plan. This included, during 2012, the sponsoring of work to develop a pilot online, searchable repository of information (the Farm Efficiency Hub) about approaches that farmers and growers can take to both increase productivity and reduce emissions. AHDB also commissioned, early in 2013, work on the AHDB Environmental Impact Calculator. This will assist farmers and growers understand better how on-farm practices can be adjusted to increase resource-use efficiency.
- **Shaping industry research priorities:** AHDB has been at the forefront of work with other industry-led organisations (NFU, AIC, RASE) in clearly enunciating the industry priorities for research and innovation. This was published at the end of 2012: *Feeding the Future: Innovation requirements for primary production in the UK to 2030*. This landmark publication was influential on the formulation of the Government's forthcoming Agri-tech strategy and was substantially founded on research priorities identified by each AHDB division.
- **Market data and analysis:** It is important for levy payers that they and other parts of AHDB providing services on their behalf have access to good quality information upon which to make decisions. AHDB's Market Intelligence team provides significant input to all areas of the work of AHDB, as well as providing valued information and analysis directly to levy payers. Circulation of Market Intelligence publications increased by 16% to more than 28,000 over the year.
- **CAP Reform:** One of the key policy issues in the agricultural and horticultural arena during the year was the negotiation on Common Agricultural Policy

(CAP) Reform. Although AHDB does not have a policy position on CAP Reform, we helped to inform the debate through independent and impartial analysis by our Market Intelligence team on the potential impacts of proposed changes. The Greening Analysis we carried out was widely used by those involved in negotiations and policy formation.

- **Farm assurance schemes:** AHDB believes that farm assurance schemes are in the best interest of producers and consumers. A three-year, £1 million funding programme to support Assured Food Standards (AFS) to successfully reach a self-sustaining business model came to an end in March 2013. AFS licenses food suppliers to use the popular Red Tractor quality assurance mark on their products. The funding was highest in the first year and reduced each following year. During 2012/13, our marketing teams continued to work closely with the AFS team on promoting the benefits of assured food products.
- **AHDB education strategy:** Following the launch of the AHDB Education Strategy, in February 2012, we continued to successfully focus on extracting greater value from the long-term educational activities currently carried out by each of AHDB's divisions. We also identified opportunities to better align these with other industry programmes to help deliver greater impact for the same investment. Some examples of success included a 20% positive shift in attitudes of children towards dairy farming; and a bespoke, fully accredited (CPD) initial teacher training course on dairy and cereals for student teachers, developed in partnership with Farming and Countryside Education.
- **[www.foodafactoflife.org.uk](http://www.foodafactoflife.org.uk)** – our online suite of free curriculum-based resources about healthy eating, cooking, food and farming for children and young people aged 3 to 16 years, delivered in partnership with the British Nutrition Foundation, attracted almost 3.2 million resource downloads last year by primary and secondary schools, up 5% on the previous year.
- **Soils:** AHDB joined forces with Catchment Sensitive Farming (CSF) to provide farmers and growers with information on the latest research and best-practice on soils at a local level. Between July 2011 and March 2013, AHDB and CSF jointly ran more than 70 events, with a focus on soil and nutrient management.
- **Skills:** We had four successes under the new Skills Framework funding of the RDPE, securing a total £1.7 million of training funds for farmers and growers across the country (to be made up to £2.2 million with additional industry match funding). The areas are: general animal health and welfare; Bovine Diarrhoea (BVD) and Scab; livestock skills; and advanced technical skills in crops, including horticulture.
- **Green Food Project:** The ministerial-led Green Food Project finished its initial work and published its conclusions in June 2012. We helped to both steer the project and to advise and provide data for the case studies. AHDB is now working to take forward a number of the recommendations.

# BPEX Division – supporting the English pig industry

BPEX continued its focus on delivering an English production and processing sector that is resilient, sustainable and comprises internationally competitive supply chains which generate confidence for future investment.

Our overarching aims in 2012/13 were to:

- Help the industry improve cost competitiveness to a level comparable with its main EU competitors
- Increase the demand for English pork and pork products.

We sought to deliver these objectives through a range of commercially relevant and timely services while minimising impact on the environment and safeguarding the welfare and wellbeing of pigs.

## Delivery highlights for 2012/13

- *'Thank You' campaign:* The 18-city 'Thank You' tour enabled farmers to engage with consumers and raise awareness of the increasing cost of producing pork due to the pig feed price rise. Over 3,000 free bacon and sausage sandwiches were given to shoppers, while asking them to continue supporting Red Tractor pork. The campaign reached 9.4 million people.
- *British Sausage Week - November 2012:* This celebrity endorsed PR campaign allowed a relatively small amount of funds to be used in a concentrated way to maximise media coverage and to provide a hook for manufacturers and retailers to promote their sausage products and new product development. It also provided the opportunity to promote core messages about the Red Tractor assured supply chain. This year it triggered a 17% uplift in sales and £5.2 million value increase across the 4-week period, in comparison with the previous 4-week period.
- *Give a Fork About Your Pork campaign:* This raised awareness of Red Tractor pork through a series of videos with Jimmy Doherty talking about scheme attributes - on Channel 4, On Demand TV, Facebook and YouTube. It delivered 126 million impressions on all digital channels, 75,000 views of 30-second adverts and 22,500 views of the full length films.
- *A balanced diet:* We continued to communicate with health and education professionals the role pork and pig meat products can play within a healthy balanced diet and to defend the industry from unsubstantiated attacks. The Meat Advisory Panel published a report, 'Seven Ages of Man', which illustrated how lean red meat meets diet nutrition gaps at particular life stages.
- *Third country exports:* We worked closely with Government ministries to finally secure export health certificates with the Republic of China and Australia for pork and pig meat products. It is estimated that this trade with China could exceed £50 million in the near future. In 2012 pork exports accounted for 25% of UK production worth in the region of £275 million.
- *Pig health:* Pig Health Improvement Project (PHIP) clusters worked on collective health plans and three of the groups made considerable progress on target actions. Working collaboratively in high risk areas for swine dysentery, clusters established their highest risk areas, which then helped direct their actions to where they had most impact.
- *Odour:* A Code of Practice for dealing with odour complaints and a Good Practice Check List were developed in collaboration with the National Pig Association, National Farmers Union, Environment Agency and Defra. Training sessions are being organised for staff and key stakeholders.
- *Swine dysentery:* Multi-Locus Sequence Typing (MLST) of swine dysentery isolates was funded for nearly 300 faecal samples from disease outbreaks. This should make possible in-depth analysis of potential routes of transmission where the same strain has appeared in different locations and also provide a surveillance tool for emerging strains.
- *Two Tonne Sow:* Delivery of the Two Tonne Sow campaign – to produce 2000kg of pig meat per sow, per year – has remained the focus of our knowledge transfer activity. This was delivered via more than 100 business club meetings, 70 training workshops, six regional conferences and 70 on farm appraisals. The top third indoor businesses have now exceeded the target, the industry average was 1800kg at the end of 2012.
- *Digital delivery:* BPEX introduced webinars and virtual farm tours to its knowledge transfer platforms in 2013, to reach out to more customers and deliver KT in a more efficient and convenient format for some businesses. Over 70 businesses logged on to the most recent webinar delivered in March 2013, representing 32% of the total herd.
- *Innovation grants and field trials:* Seven innovation grants and four field trial projects were established in 2012/13. The field trials help to rapidly address emerging management challenges in pig businesses. Current trials include use of CCTV to reduce piglet predation in outdoor breeding units and support in performance data interpretation. Innovation grants provide a catalyst to introduce new thinking. Current projects include innovative ways to enhance water quality, piglet euthanasia and labour utilisation.
- *Provision of objective facts:* BPEX and AHDB Market Intelligence worked to give industry, stakeholders and government objective facts and analysis in the face of market volatility and other challenges to enable more effective business and policy making. The range of market intelligence data on the BPEX website attracts over 40,000 unique visitors per month.
- *Electronic pig movement service:* We delivered a pioneering electronic pig movement service for England and Wales on behalf of Defra – on time and below budget. The eAML2 service provides Defra with real time data on all pig movements, as well as a pig herd register.
- *Skills development:* BPEX continued to invest in practical training and skills development services. It developed a new pig industry skills strategy, 'Recruit, Retain and Reward', to be launched later in 2013.

# DairyCo Division – supporting the GB milk industry

DairyCo continued to work for levy payers to develop and deliver tools and services. The emphasis this year was on improved levy payer communication and developing our links with other stakeholders in the industry to help deliver knowledge and know-how.

We expanded the Extension team by three posts to create enough resource to meet more dairy levy payers. We also started using account management approaches to make sure we work well with other stakeholders in the dairy industry, including dairy processors, farming unions and consultancy companies.

Through our consumer activity we helped to maintain the good image that dairy farming has among the British public. The unprecedented public debate about milk prices in the summer of 2012 commanded a considerable amount of DairyCo resource. We presented the facts of the industry to TV, radio and print media to ensure debates were based on an accurate reflection of the costs and prices in the dairy industry.

## Delivery highlights for 2012/13

- The integrated AHDB Market Intelligence (MI) team analysed and interpreted markets which provided high quality, regular and relevant unbiased information. We exceeded our targets for the uptake of our MI outputs, such as Dairy Market Update and Dairy Monthly.
- Our highly valued Milkbench+ benchmarking service had the greatest uptake to date with over 570 farm datasets entered. This robust data allowed us to produce the second Milkbench+ report, which achieved significant media coverage by highlighting critical factors for profitable production.
- The Research Partnerships led by Nottingham University and SRUC have developed well with a number of research events held to raise the profile of DairyCo research with dairy levy payers. The close working relationship between DairyCo staff and the research teams benefited other areas of the business, including our responses on issues for the media and our knowledge transfer products. Research projects continued to be commissioned outside the Research Partnership arrangements, including a study of the nutritional, environmental and value for money benefits of including dairy in the diet.
- To maximise value to the levy payer, we have collaborated with other AHDB divisions and have accessed Regional Development Programme for England funding to support delivery of knowledge transfer work in three packages (Agricultural animal health and welfare, endemic diseases in livestock, knowledge transfer in livestock). Of particular note, is the delivery of a campaign on controlling Bovine Viral Diarrhoea (BVD).
- The DairyCo team has made good use of webinar technology to deliver training to vets and levy payers on a number of subjects. Uptake of the live online delivery was good with the added advantage of access to the webinar through the website for anyone at a later date.
- Our Knowledge Transfer (KT) targets for our face-to-face contact with levy payers were met. Our KT activities facilitate farm business improvement, using our market intelligence and the insight gained from our research and development. The use of high profile overseas speakers to act as the focus for open meetings worked in delivering excellent levy payer attendance.
- The Continuous Professional Development (CPD) project, now known as 'Dairy Pro' has progressed well. The scheme was launched at the Dairy Event in September 2012 and a campaign to build awareness and recruit members has been delivered. Many training events delivered by different organisations across the country now carry Dairy Pro points.
- The DairyCo Healthy Feet Programme, which was launched at the 2011 Dairy Event, continued to be successful with 97 trained 'mobility mentors' (target 60) who delivered customised programmes for dairy farmers to reduce lameness.
- A project designed to exploit the principles of lean management on dairy farms was started, including the development of an accredited course and training of the first group of lean management practitioners.
- Our Breeding+ programme continued to support the UK breeding industry. In April 2012, the genetic evaluation included genomic data for the first time. This improved the resilience of the evaluations and enabled the industry to make faster genetic gains. This is supported by newly established monthly updates which were well used by the industry. International genetic evaluations were conducted and published. Uptake of the genetic indexes DairyCo produces continued to grow and monitoring of the average genetic merit of sires used on farm showed an increased trend and exceeded the target. The aggregate benefits of genetic improvement in the UK dairy industry are estimated to have been between £2.2 billion and £2.4 billion since 1980.
- Our Partnership Agreement arrangement with the Welsh Government continued to be an effective means of delivery to Welsh levy payers. The delivery of technical information is well coordinated and the input to government policy is valued by civil servants and ministers. The Welsh language section of the DairyCo website continued to improve.
- We continued to develop robust evidence-based media statements covering a range of topics to protect and promote the industry. We exceeded our public relations targets to proactively communicate positive messages to better inform the public through print, TV and radio coverage.
- Our consumer website, [www.thisisdairyfarming.com](http://www.thisisdairyfarming.com), achieved its target of Google 1st page rankings for relevant search terms. This factual online resource features short video pieces from farmers and experts explaining how modern dairy farming works. Monitoring the usage has shown spikes of use that correspond to media issues – which reinforces the value of the site.

# EBLEX Division – supporting the English beef and lamb industries

The two overarching aims for EBLEX were:

- To help the beef and sheep meat supply chain become more efficient
- To add value to the beef and sheep meat industry.

The focus of activity for the year remained on trade development, specifically opening additional non-EU export markets for beef and lamb, as well as better communicating the benefits of red meat. These priorities were identified as part of the on-going three-year business plan.

## Delivery highlights for 2012/13

- Working together with DairyCo, EBLEX started to deliver projects funded under the Rural Development Programme for England (RDPE) scheme to tackle Bovine Viral Diarrhoea (BVD) and Sheep Scab. The 15-month knowledge transfer campaign started in January 2013 with a series of 'train the trainer' events for vets after AHDB secured £567,000 funding. The work will reduce the £40 million annual cost to the industry of BVD and the £8.3 million Scab cost.
- A continued focus of trade development has been the push to open additional non-EU export markets. Working closely with the UK Export Certification Partnership (UKECP) and United Kingdom Trade Investment (UKTI), we have now opened more than 60 markets, with recent successes including Russia and Hong Kong. This has led to non-EU exports increasing 110 per cent year-on-year and helped bring stability to the beef price for producers.
- In the 2012 calendar year, our EBLEX press office dealt with a 115 per cent increase in media enquiries to both promote and defend the beef and lamb production sector in England. It has delivered an Advertising Value Equivalent (AVE) of over £3 million of coverage in key trade and national media outlets in the financial year 2012/13. This helped mainstream understanding of the sector as well as communicated key messages to levy payers, everything from on-farm practices to market information.
- The three-year Discover Lamb trade marketing campaign was launched to stimulate demand, focusing on the development of a range of prime cuts and new products designed to address consistent eating quality and value for money. The new cuts and products, through better carcass utilisation and butchery techniques, can deliver enhanced margins for the whole supply chain. Results show that in the 16 weeks to September 2012, total volume sales were up 14% on year-earlier levels.
- The Better Returns Programme (BRP) delivered 246 events, engaging face-to-face with 5,400 farmers. At 133 events, a selection message was delivered – to help producers better prepare their animals to market specifications – with 96% of attendees implementing practical ideas from the events.
- For the first time in four years, EBLEX funded a TV advertising campaign. Simple Pleasures promoted the versatility and ease of cooking with Red Tractor and Quality Standard Mark beef and lamb. Four adverts were prepared with the most popular one prompting 90 per cent of viewers surveyed to say it showed lamb was simple to cook, 80 per cent to say it made lamb look appealing and 50 per cent committing to cook lamb more often as a result.
- The weekly EBLEX Market Survey publication, published by AHDB Market Intelligence to inform on key market trends and prices, was re-launched in July 2012. The two-page Cattle Weekly and Sheep Weekly and a longer monthly Cattle and Sheep Market Update, are offered digitally and free, both on subscription and via the website. There has been a subsequent rise in the number of subscribers.
- *Balancing the Market* was a state of the beef industry document published by us in May 2012. It combined industry insights and data about the position the UK now holds in the global trade of beef and called on all links in the supply chain to be more aware of the needs and pressures on each other. It has stimulated significant debate on more secure supply chains.
- We have completed a project demonstrating the value of feed planning tools in England, using the New Zealand Farmax tool as an example. Feed accounts for around 60 per cent of the variable costs of lamb and beef production. The results of this project show that efficiency gains, in relation to feed use, can be made by monitoring feed supply and demand.
- The Quality Standard Mark (QSM) scheme for beef and lamb has seen a marked increase in numbers despite a rise in the standards governing the scheme. Supplier members have increased from 222 to 238, above the four per cent target, while the number of signed-up independent butchers has risen to 1,867, well ahead of the 1,800 target for the year. This allows increased differentiation of our product at point of sale.
- A sheep carbon tool has been produced, working in partnership with The E-CO2 Project. It is accessible free online via the EBLEX website and uses nine measures of farm performance records to predict enterprise footprints to around 80 per cent accuracy. It illustrates also how good environmental performance is linked to better financial margins.
- Through its meat and health work with BPEX and Meat Promotion Wales (HCC), EBLEX funded a scientific study of the nutritional benefits that red meat brings to people at all stages of life. *Micronutrient challenges across the age spectrum – is there still a role for red meat?* was published in the British Nutrition Foundation Bulletin and has received significant media attention prompting positive media stories about red meat in the diet.
- The horse meat scandal prompted more than 100 media enquiries, enabling positive factual messages about quality assurance of beef and lamb in Britain to be widely disseminated. This was backed by a co-ordinated advertising campaign in the national press, working closely with Assured Food Standards and the National Farmers Union which helped lead to an upturn in people buying fresh, assured meat.

## HDC Division – supporting the GB horticulture industry

The HDC key priority was to commission and manage an applied research programme to address current and future crop protection and production issues confronting the horticultural industry.

We also undertook a range of communications and knowledge transfer activities to ensure that growers could make use of the outcomes of our research. We continued our Extension of Authorisation for Minor Use (EAMU) pesticide uses programme and contributed factual information in support of the industry to key policy debates.

We have completed the development of an overall research and knowledge transfer strategy and started to commission the first projects arising from this. This will all help deliver an even better return on their levy investment to levy payers.

### Delivery highlights for 2012/13

- *Project CP 77: SCEPTRE (Sustainable Crop Protection Targeted Research for Edibles)*. This is our flagship project jointly funded by Defra and industry under the HortLINK scheme (an investment of £660,000 by HDC over 4 years). We are working to identify crop protection solutions for high priority targets identified by growers. In the first two years, we have screened 215 novel conventional plant protection products and 267 novel biological products.
- *Project CP 95: Sustainable resource use in horticulture: a systems approach to delivering high quality plants* (jointly funded with the Royal Horticultural Society, HDC contribution £187,725 over 5 years). This project is aimed at building underpinning capacity in the area of growing media and nutrient management for ornamental plant production, a key area of expertise for the UK ornamentals industry.
- *Project CP 101: Combating Insecticide Resistance in Major UK Crop Pests* (£75,000 from HDC over three years). Contributing to a larger project jointly funded by three AHDB Divisions, this work will help the industry develop strategies for the control of key pests such as peach-potato aphid (*Myzus persicae*).
- *Project HNS 189: Study to review and improve nutrient management in container-grown hardy nursery stock* (£22,500). Commissioned by tender, this review aims to improve the ability of the HNS container-grown sector to match nutrients more closely to crop requirements, and to generate recommendations that can be effectively implemented by growers.
- *Project PC 302c: Tomato: Phase 3 of contingency plans for the control of Tuta absoluta* (£27,855 from HDC, £37,855 total budget). We have delivered options for the control of tomato leaf miner (*Tuta absoluta*) during critical periods of the growing season when established biological control strategies have weaknesses.
- *Project SF 138: Application of Genomics in Raspberry Variety Development*. We are involved, with no cash contribution, in a consortium delivering work to improve the development of UK-bred raspberry varieties. The project, funded by the Technology Strategy Board (TSB), is worth a total of £713,000. This demonstrates how HDC can gain added value for growers at little cost.
- We published a 'Growing Media Review' which gathered together information about the environmental and commercial status of peats and summarised work done over the last 20 years which has investigated a range of growing media ingredients for commercial horticulture. The publication was a key contribution to the sustainable growing media debate and demonstrated the strides that growers have made in optimising peat use.
- We launched a grower guide to 'Biocontrol in Soft Fruit', providing soft fruit growers with an easy reference to get the most from their biocontrol programmes, a critical necessity in the battle to maintain effective crop protection in the face of a limited pesticide armoury.
- We published a comprehensive 'Hardy Nursery Stock Propagation Guide'. This collated knowledge arising from past HDC-funded work and is aimed primarily at the experienced propagator. The guide will also be an invaluable training aid for students and nursery staff.
- Working with the Brassica Growers Association, we are running a project on 'science scoping'. Majoring on well-targeted meetings between industry, HDC and key researchers, the work has already led to initiatives that will deliver new work in 2013/14 targeting key industry priorities.
- We have helped lead an industry group guiding fruit growers on how to manage spotted wing drosophila (*Drosophila suzukii*), a new pest of soft and stone fruit in the UK. We have produced a web page, three factsheets and a packhouse wallchart and we are working with the Chemicals Regulation Directorate (CRD) and agrochemical manufacturers to secure more crop protection products for growers.
- We worked with the Potato Council to develop and deliver a UK presence at *Fruit Logistica* in Berlin in February 2013. This was a 'toe in the water' for us to help promote the UK horticulture industry to a worldwide audience and included producing a 'Grown in Britain' publication which showcased the quality and range of produce grown in the UK.



## HGCA Division – supporting the UK cereals and oilseeds industry

2012 saw the cereals and oilseeds sector face one of the most challenging seasons in living memory as the combination of prolonged periods of wet weather and lack of sunshine resulted in one of the poorest quality harvests on record.

HGCA responded quickly to industry demands for robust information on the quality and size of the crop, working to gain a better understanding of crop development issues and disease pressures.

The year also saw the launch of our HGCA Cropping Systems Platform pilot project which aimed to deliver web-based regional information on cereal varieties and agronomic performance. This was based at two sites - in Cornwall with Duchy College and in Oxfordshire with Warwick Crop Centre. Funding for two more sites in Midlothian and Yorkshire was also agreed.

### Delivery highlights for 2012/13

- We funded a number of strategic research projects in line with priorities outlined in the HGCA *Investing in Innovation* strategy. These included a £1.6 million investment in three soils projects (which attracted an additional £1 million in co-funding including £257,000 from the Potato Council division of AHDB), £350,000 in weeds projects and a further £500,000 in four animal feed research projects.
- Investing in the future 'people potential' of the industry also saw us agree to new three year programmes of investing in PhDs and student bursaries, worth a total of £570,000. Of the 34 completed HGCA PhD studentships awarded under previous programmes, 25 have gone on to find employment in science, 72% of these within the agricultural sector. We also launched our first Nuffield Scholarship at Cereals which was awarded to Kent farmer Tom Sewell.
- Autumn 2012 saw the publication of our Carbon Footprinting Decision Support Tool, which aimed to help growers understand their carbon footprint. An in-depth review of industry greenhouse gas emissions data was also completed detailing the ability of the UK to meet legally binding emissions criteria as part of the Renewable Energy Directive. This work demonstrated over 85% of English wheat and 97% of English rapeseed has the potential to meet the criteria.
- The sector's long term ability to remain globally competitive underpinned the commissioning of Reading University to carry out a desk-based economic study of the impact on UK agriculture of the adoption or non-adoption of GM crops. This will report back in late summer 2013.
- The 2012/13 season saw the return of our popular Meet the Processor events and Grain Market Workshops, which give growers an improved insight into supply chain issues and grain marketing – particularly in a poor quality season. Attendees representing over 1.2 million hectares participated in these events.
- Although little of the 2012 crop was available for export, British Cereal Exports (BCE) Autumn missions to Spain, Morocco and Portugal were well received by overseas millers and importers who appreciated the opportunity to understand current and future developments in the 2012/13 crop.
- Work also started on developing a network of HGCA Monitor Farms in England to provide a wider platform for business improvement and costings messages. The first HGCA Regional Manager was appointed to oversee the highly successful Monitor Farm work in Scotland – this work has attracted funding from the Scottish Government. Recruitment of three further regional managers was also started.
- The industry's e-passport project to move the current paper-based grain passport online made progress. We agreed in March to fund a pilot project which emerged from a lengthy consultation with industry stakeholders.
- We continued our online nutrition work with a new section of the HGCA website dedicated to recipes featuring wholegrains, rapeseed oil and oats. This was followed by the success of Farmhouse Breakfast Week 2013 which saw over 1,000 events held across the country to promote the benefits of eating a healthy breakfast.
- Encouraging more people to bake at home was the theme of a grainchain.com sponsored 'Bake Off' event in December with celebrity chef Paul Hollywood and children at Hillside Primary School in the Wirral.
- The world's oldest price reporting survey made it to the 21<sup>st</sup> century in 2012, with the launch of a new online Corn Returns portal on the HGCA website. This enabled merchants and processors to upload their sales data and prices quickly and effectively.
- Together with AHDB Market Intelligence, we published Cereal Quality Survey findings in three instalments across the season. Results of the Early Bird Planting Survey were released in December to give a snapshot of planting progress and this was followed in March with the release of AHDB Planting Survey data which indicated a 25% drop in wheat planted area for 2013.
- December's Agronomist Conference saw the launch of HGCA's new-look website for cereal and oilseed levy payers, with a refreshed layout and new content sections. Main changes included a revamped 'Get Involved' section and new research and crop management areas. These changes helped drive 2.3 million hits to key areas of the site during the year.
- HGCA took the opportunity to join other AHDB sectors in a range of activities. These included a joint presence with Potato Council and HDC at the LAMMA and Tillage arable events and AgriScot.
- AHDB livestock and arable sectors also came together to support a series of farmer events as part of the Catchment Sensitive Farming initiative.

# Potato Council Division – supporting the GB potato industry

While sustainability and profitability remain core to the Potato Council strategy, the watchword for this year was 'dialogue'. On a global scale our standout achievement in 2012/13 was hosting the World Potato Congress in Edinburgh in May. With 800 delegates from 50 countries, this put the GB Potato Industry centre stage and created opportunities to share best practice and open dialogue with new markets.

Through dialogue we are winning over future consumers and convincing MPs/MSPs/AMs of the health status and economic value of potatoes. We have embarked on a series of one-to-one meetings to re-engage levy payers and discuss the value derived from levy investment. With the launch of our *Direction through Dialogue* programme, we'll explore all aspects of our performance with levy payers, providing an opportunity to hear their views about what we do, whether we do it well and whether our activities need to change.

The Industry Summit in March 2013, 'Galvanising the Potato Industry to build a sustainable supply of British Potatoes', created a new venue for cross industry dialogue from all points in the supply chain. This engagement enabled the industry to reach a consensus on key issues and a direction of travel for the creation of a sustainable sector. Many of the themes pursued at the summit are underpinned by comprehensive industry-agreed strategies that are underway. For example, over £900k of our expenditure in the coming year is dedicated to working with supply chains and retailers to differentiate the potato offer, while our farmer-focused Business Improvement Programme provides tools that assist in understanding risk and reward.

## Delivery highlights for 2012/13

- *Educating children:* 14,600 (65%) of schools took part in our primary education programme; an impressive 12% increase on the previous year. The cost to reach each child was just 33p for 14 weeks learning about potatoes and trying their freshly dug crop. Education activities have been extended into secondary schools reaching 25% – more than double the target set.
- *Changing attitudes:* 1 in 5 MPs have become more positive in their view toward potatoes, as well hundreds of thousands of shoppers starting to realise that it is not 'just a potato'. There have been over 175m opportunities for them to see positive potato messages, including over one million visits to our consumer website.
- *Staying connected:* Frequent and meaningful engagement with levy payers, stakeholders and key influencers remains a key priority. In 2012 we telephoned 15% of our levy payers who hadn't attended one of our meetings. More than 80% have agreed to a personal visit from one of our team and most of those visited have now signed up to products they feel will benefit their business. We'll continue making these calls through 2013.
- *Partnership working:* Along with Scottish Government we have agreed to work with officials in Morocco, Israel, Vietnam and Egypt. These agreements have resulted in a joint project to investigate seed health,

with a view to extending export potential. We jointly hosted a highly successful inward mission from Egypt, which strengthened our relationship with officials. For the first time GB became the largest exporter of seed to Egypt, with 41k tonnes sold to this market, worth over £16 million to the GB economy. The total value of 2012/13 GB seed potato exports was £28 million.

- *Up-skilling the sector:* Sutton Bridge Crop Storage Research (SBCSR) was instrumental in organising and delivering store management training to the sector during 2012/13. SBCSR is also a training provider for the new AgriFood Advanced Training Partnership funded by Biotechnology and Biological Sciences Research Council (BBSRC).
- We were part of a successful cross-sector AHDB application to become facilitators of £490,000 of RDPE funding for training growers in advanced technical skills in crops and we delivered Business Improvement training in Scotland with funding from Skills Development Scotland.
- *Focusing on inputs:* As part of an AHDB soils research programme, projects assessing overwinter cover crops and cultivation practices showed that there are potential benefits such as reduced N fertiliser requirements and shallower de-stoning depths, respectively. For example, at an English loamy sand site, cover crops took up between 44 and 66kg N/ha, much of which would have been lost to drainage in a typical winter. It was estimated that the plants had contributed the equivalent of 50kgN/ha towards saleable tuber yield at harvest.
- *Providing crop protection decision support:* Late blight costs the industry up to £55 million a year in reduced yields and quality. An innovative and successful *Fight Against Blight* campaign, where more than 100 volunteers post in infected samples from around the country for monitoring, enables growers to make better management choices when responding to more aggressive blight populations. For a levy investment of under £300k in this important area of research, the restriction of industry losses has been conservatively estimated at £2 to £5 million.
- *Storage is key to sustainable potato production:* In GB, around 3.5 million tonnes of potatoes are stored annually for two months or more, equivalent to around 60% of the crop. SBCSR, a break-even facility, costs levy payers just 10.6p per tonne stored. Store audits carried out by SBCSR this year have improved storage efficiency and saved levy payers £1,000s in energy costs and reduced crop losses.
- *Leading on Stewardship:* As part of the Potato Industry CIPC Stewardship Group, our team has led the submission of reports to the Advisory Committee on Pesticides, highlighting the importance of this sprout suppressant and reflecting the industry-wide efforts to prevent exceedances. The research pipeline supports this effort and work lead by SBCSR has included co-ordination of a collaborative Defra project (FO/0217) seeking improved use of CIPC and evaluation of alternative methods for sprout suppression.



# Performance against targets

AHDB Key Performance Indicators 2012/13	Owner	Performance	Summary
<b>AHDB objective 1: Deliver value for money for levy payers in everything we do</b>			
At least three research areas let by Tender and mechanisms in place with Defra, SG and BBSRC to ensure regular liaison	Horticulture	Two tenders were run during 2012/13 and a third is in development – for nutrition work in hardy ornamentals, for soils work in horticulture and on vine weevil control respectively. Liaison with other research funders has been done under the auspices of the Horticulture Innovation Partnership (HIP), launched in March 2013	Behind target
Two cost-benefit analyses published for each Potato Council function by August 2012	Potatoes	Cost benefit analyses published for storage fan efficiency, blight, fertiliser analysis, Safe Haven Scheme and Grow Your Own Potato	Delivered
Increase levy payer satisfaction score for identified key activities (68%) by 5% year-on-year as measured in annual stakeholder 'intentions' survey	Cereals	Levy payer satisfaction score for 2013 was down to 60%. This is believed to reflect the negative feelings out in the industry around the wider challenges of a poor quality harvest and a 19% drop in winter plantings. The trend will be monitored	Behind target
80% satisfaction rating for EBLEX published material measured in stakeholder 'intentions' survey and feedback forms	Beef and Lamb	93% of people rated published materials satisfactory, good or very good. 96% of people (post BRP event surveys) said they took away practical ideas to improve their business	Delivered
Improve annual customer survey score to 4.25 from 3.95 the previous year (1 = poor; 5 = excellent)	Pigs	2012/13 survey showed average customer satisfaction score was down at 3.74. This is believed to reflect the strong dissatisfaction with poor profitability in the sector. The trend will be monitored	Behind target
Achieve an overall satisfaction score for the 'overall performance of DairyCo' of 3.0 for dairy farmers surveyed (1 being very poor and 5 very good)	Dairy	Survey March 2013: overall score of 3.2 – (60+ sample)	Delivered
Reduce Support Costs as a percentage of income by 1% year-on-year bringing it down to 12% by 2014	Corporate	2012/13 support costs were down to 12.5% of income	Work in progress
<b>AHDB objective 2: Improve efficiency and productivity in the industry to help levy payers have thriving businesses</b>			
Measurable change in output adjusted by crop area in some horticultural crops by March 2014	Horticulture	Two years of data (Defra Basic Horticultural Statistics) published. Third year required to identify true trends	Work in progress
Commission new research in the priority areas identified by the Potato Council R&D strategy review. This will include topics that address production and storage issues and end-market quality	Potatoes	New research commissioned on soil management platform, PCN control, blackleg management, insecticide resistance and storage sprout suppressants	Delivered
From an evaluation of the R&D programme against a 2010 baseline, deliver a 5:1 cost benefit per crop tonne from HGCA-funded R&D	Cereals	Detailed cost benefit evaluation work was started in late 2012. Current cost-benefit ratio running at 5.19:1	Delivered
Improved carcase weights against number of lambs born, measured by kg of carcase weight per breeding ewe. Also improved carcase weights for beef measured against the age of slaughter by looking at kg carcase per day gain. Both on a three-year rolling average	Beef and Lamb	Sheep: -0.6% (3-year average: 2010 to 2012). This fall is due to the adverse weather affecting the quality of available forage, reducing ewe condition scores Beef: +2.22% (3-year average: 2010 to 2012)	Behind target Delivered
Deliver Two Tonne Sow by end of 2013 measured by average weight of carcase meat from a sow's progeny per year	Pigs	Data to end of 2012 shows target achieved for top third of indoor producers. Industry average up to 1.8 tonnes per sow	Work in progress
Deliver knowledge transfer services to at least 3,500 individual dairy farmers as face-to-face work	Dairy	Delivered to 4,360 dairy farmers	Delivered
Scope, design and deliver an AHDB-wide Project Management System by 2013 to enable effective 'birth to death' commissioning, resourcing, accounting, running and assessing research and other projects	Corporate	The Project Management System was delivered and is now fully in use by research project managers in all AHDB divisions	Delivered
<b>AHDB objective 3: Improve marketing in the industry to help profitability and customer awareness</b>			
Assess need for combined 'horticulture data' booklet by June 2012	Horticulture	Five areas of interest to the industry identified, four of which HDC see value in following up. Consensus was a 'horticultural data booklet' not required in the short-term	Delivered
Run campaigns to deliver attitude change and act as a platform for industry collaboration – 1 million visits to consumer website by March 2013; 2 million recipe views; 175m 'opportunities to see' (OTS) per annum	Potatoes	1.1 million website visits achieved, 2.1 million recipe views and 288 million opportunities to see	Delivered
Deliver a 5% increase in proportion of crops grown for specific end markets, including exports, over the three year period to 2015 as measured in the annual stakeholder 'intentions' survey	Cereals	2012 survey reveals an increase in those growing crops on fixed contracts to 16%. This represents a cumulative 33% increase for the first year of the three year period	Work in progress

AHDB Key Performance Indicators 2012/13	Owner	Performance	Summary
Sustain current percentage of lamb exports at 30%, increase beef exports to 20% by end of 2012	Beef and Lamb	Lamb exports 38% of production; Beef exports 17% of production. This target shortfall was due to short supplies of UK beef and a UK price which was the highest in the EU, limiting export opportunities. But the ultimate aim of a robust UK farm gate price for beef was delivered	Delivered Behind target
Consumer understanding of Red Tractor Pork to rise by 10% measured by consumer research by 2015	Pigs	Improvement of 5% in composite consumer research index	Work in progress
Achieve a recognition of DairyCo products and services so that 65% of GB dairy farmers can name at least one product or service (currently 61%)	Dairy	March 2013 survey – 59%. Score is in line with long-term trend, but down on the 2011/12 'spike' which was encouragingly high. Product satisfaction rating by this 59% was high at 3.76 out of 5 (5 = very good)	Behind target
Combined website page hits for Market Intelligence materials – 2.25 million/year	Corporate	Combined website page hits were more than 3 million in 2012/13	Delivered
<b>AHDB objective 4: Improve services that the industry provides to the community</b>			
Success of Horticulture studentship programme measured by employment status of completed recipients; successful completion of 'horticultural summer school' placements via HDC/EMT/HTA Fellowship funded at Harper Adams University	Horticulture	Of three finishing PhD students two are in permanent employment in the industry, the third is applying for a post after finishing her thesis. Three students completed the summer school placement in 2012 helping them towards permanent technical careers in horticulture	Delivered
Maintain number of schools participating in Grow Your Own Potatoes at 13,000 (62%) while rolling out Cook Your Own Potatoes to 10% of secondary schools	Potatoes	14,600 schools participating in Grow Your Own Potatoes and 25% of secondary schools participating in Cook Your Own Potatoes	Delivered
10% year-on-year increase in website hits accessing key information	Cereals	1.75 million hits in 2012/13 to key website information pages. 12.7% cumulative annual increase since 2010	Delivered
Increase digital statistical information available on website by 30%	Beef and Lamb	Increased by more than 35%. Includes expanded market information area of website to include industry reports section with UK and EU statistics to download	Delivered
Improve consumer tracking study measures on the healthiness of pork by 2 percentage points	Pigs	Variable trend over the year but a 1% point reduction in March 2013 compared with a year ago, affected by adverse publicity around processed meat and cancer	Behind target
Implement Customer Relationship Management system for GB dairy farmers for differentiated communications	Dairy	Fully implemented	Delivered
Increase combined Market Intelligence publications circulation from 23,900 to 24,700 per month	Corporate	Combined MI publications circulation has increased to in excess of 28,000	Delivered
<b>AHDB objective 5: Improve ways in which the industry contributes to sustainable development</b>			
At least 10% reduction of carbon footprint of horticultural business by March 2014	Horticulture	Baseline carbon footprint data established for some key horticultural crops including tomato, bulbs and lettuce	Work in progress
Establish best practice platform for pesticide and environmental stewardship activities and deliver ongoing Chlorpropham (CIPC) stewardship action plan (metrics agreed with Advisory Committee for Pesticides)	Potatoes	Terms of Reference have been agreed for a new nematode stewardship group with potential to use RDPE Skills budget for rapid delivery of best practice. Report summarising achievements against five year CIPC action plan submitted to ACP in January	Delivered
Year on year increase in the proportion of research projects which include environmental improvement factors	Cereals	For 2012/13, 24 research projects were commissioned (compared to 12 projects in 2011/12), which included scrutiny of environmental improvement factors as part of the approvals process	Delivered
Audit 60 farms to establish the Carbon footprint and monitor for 3 years for improvement in response to changes in management and performance	Beef and Lamb	The farms were recruited to take part in this three-year 'Stocktake' project and a trial is underway to evaluate a system that can be used to monitor the carbon footprint	Behind target
Improve GHG equivalent impact of pork production by 4% by 2015	Pigs	Improving efficiency in the use of resources is the main contributory factor and pig producers are making positive progress in this area. Initial data analysis to measure progress will take place during 2013/14	Work in progress
Deliver the DairyCo component of the Milk Roadmap to time and budget in order to help reduce the GHG cost per litre of milk produced	Dairy	Contributed information to the Roadmap. Commissioned a disaggregation of the UK National GHG inventory showing 26% reduction in GHG from 1990 to 2010. Completed second year on farm Carbon Footprinting Study indicating a 5% reduction in emissions p/l of milk compared with the previous year sample	Delivered
Work with partner organisations (NFU, AIC, CLA and others) to develop and deliver advice for on-farm actions aimed at delivery of the targets for GHG emissions reduction that have been set within the Industry GHG Action Plan	Corporate	The GHG Action Plan was incorporated within the overarching set of voluntary industry initiatives – Campaign for the Farmed Environment (CFE) Phase 2. The online Farm Efficiency Hub (FEH) completed pilot testing during the year	Delivered

The AHDB Board continues to monitor performance, particularly for those KPIs that are behind target.

# Meat & Livestock Commercial Services Limited and other trading subsidiaries

Meat & Livestock Commercial Services Limited (MLCSL) is the only commercially trading wholly-owned subsidiary within the AHDB group.

It provides data, advice, logistics and inspection services to the meat and livestock industry on a commercial basis.

It is managed separately within AHDB, with all costs fully accounted for within the organisation and any profits which are generated are returned to AHDB to supplement levy funds.

A review of the business had commenced during the previous year and a revised structure implemented during 2012/13, providing a more streamlined management function and a reduced cost base. This contributed to the reduction in the deficit for the year and, coupled with improving revenues in the latter part of the year, enabled the Board to approve a business plan for 2013/14 and beyond, showing small but consistent surpluses.

## Delivery highlights for 2012/13

- Our independent carcase classification service has continued to add value to the meat supply chain. This is underlined by a consistency in the number of beef, lamb and pig carcasses classified by the MLCSL Authentication team as a percentage of total British slaughterings (see table below). Two new authentication contracts were signed during the course of the year.

	2007/08	2008/09	2009/10	2010/11	2011/12	2012/13
<b>Cattle</b>	72.1%	80.4%	81%	83.9%	90%	90%
<b>Sheep</b>	38.5%	42.9%	60%	58%	68%	69%
<b>Pigs</b>	61.9%	65.6%	70%	76.7%	82%	82%

- A significant number of 'selection of cattle for slaughter' training events were delivered at abattoirs and auction markets on behalf of the EBLEX Better Returns Programme in England. Similarly, support was contracted to Hybu Cig Cymru (HCC) in Wales for its busy programme of both sheep and cattle selection for slaughter training days and agricultural shows. This training provides the knowledge to help producers to assess their livestock and identify when stock is at its peak for selling, which both maximises the sale price for the producer while also optimising the quality of the meat the processor can obtain from the carcase.
- The MLCSL equipment team continued to market the Stun Assurance Monitor (SAM) which provides an auditable stun process for abattoirs. During the year, interest in the product increased as a direct result of legislation. To date there have been three sales of the SAM and a number of quotes have been requested. It has become a legal requirement for all abattoirs to have the equipment installed from 2013.

- The new pH/temperature probe system which enables abattoirs/meat processors to measure and transmit information via Bluetooth technology has been developed with support from MLCSL. It is being trialled and will become available for sale in the early part of the New Year. The initial reaction from the trade has been positive and a marketing programme is being developed.
- The Pig Electronic Animal Movement Licences contract was in operation for the full financial year and MLCSL continues to work with AHDB's pig division in processing movements on an ongoing basis.

## Other AHDB trading subsidiaries

### Sutton Bridge Experimental Unit Limited

A further wholly-owned subsidiary company, Sutton Bridge Experimental Unit Limited (SBEU) is used to hold the property occupied by the potato sector's research and development facility.

All transactions of the Unit are received and incurred directly by AHDB as part of the Potato Council's operating results.

*Further detail on AHDB's subsidiaries can be found in Note 10 to the accounts.*

# Financial review of the year

## Introduction

AHDB is an executive Non-Departmental Public Body (NDPB) sponsored by Defra, created on 1 April 2008, when the functions, responsibilities, assets and liabilities of five independent predecessor levy bodies were transferred to the Agriculture and Horticulture Development Board (AHDB). This transfer was in accordance with the Statutory Instrument (the Agriculture and Horticulture Development Board Order 2008), which defines AHDB's statutory purposes as:

- Increasing efficiency or productivity in the industry
- Improving marketing in the industry
- Improving or developing services that the industry provides or could provide to the community
- Improving the ways in which the industry contributes to sustainable development.

AHDB provides the agriculture and horticulture sectors with cost-effective, relevant services, which support the sectors' long-term sustainability.

AHDB's Corporate Governance is described and reviewed in the Corporate Governance section on pages 27 to 31.

## Funding

AHDB is funded by statutory levies paid by farmers, growers and others in the supply chain. Levies raised from each commodity sector are ring-fenced to ensure they can be used only to the benefit of the sector from which they were raised.

## Principal risks and uncertainties

The principal risks and uncertainties that face AHDB concern a potential inability to conduct levy payer services in the event of a major business disaster; maintaining income levels to deliver effective services in the event of a major disease (animal and/or crop) outbreak or catastrophic natural disaster; a levy payer ballot leading to a Ministerial decision to withdraw one or more statutory levies; or a ministerial decision, at the time of a triennial review of AHDB, to discontinue the existence of statutory levy boards. These risks and the impact, should any of them be realised, are mitigated through our risk management processes to an acceptable level and we operate to a Reserves Policy, approved by the AHDB board annually, to ensure the organisation maintains sufficient cash funds to enable it to meet its obligations in the event of any of the above circumstances arising.

The main trends and factors likely to affect the development or performance of AHDB are those which impact on our levy payer businesses and threaten their ability to remain economically viable – the impact of extreme weather on businesses, commodity price volatility, the pressure on parts of the agricultural sector around reducing greenhouse gas emissions, CAP Reform, issues to do with food security and the need to protect soils, water and other natural resources and biodiversity. Our challenge is to help our levy payer businesses to address these issues while becoming more competitive and sustainable.

## Financial results

AHDB's results show net comprehensive income of £2.2 million for the year (2011/12 : £4.4m). The majority of the surplus is due to reductions in expenditure actioned in the latter part of the year, as market conditions indicated likely shortfalls in budgeted income, particularly in our Potato Council and HGCA divisions. Despite these reductions, the amount of funds spent on direct levy-payer facing activities increased by £2.9 million over the previous year to a highest level yet of £53 million and the additional surplus has served to complete the rebuild of AHDB's reserves up to its desired level and into line with its Reserves Policy. The level of direct expenditure is budgeted to increase further over the coming three years. A reserve on the Accumulated Fund (Income and Expenditure Account) of £18.4 million is carried forward.

The cash balance at the end of the year was £20.7 million, of which £2 million is held on account for Defra. Cash at bank is a fundamental component of our Reserves Policy, is designed to fund a fluctuating working capital cycle as well as maintain a base fund to protect AHDB's ability to continue to provide levy payer services should industry circumstances lead to an unexpected short term reduction in our income. Due to normal income and expenditure cycles the cash balance is higher at the end of March than at most times of the year. Cash is usually at its lowest in the summer months.

## Pension schemes

AHDB, in accordance with Government Financial Reporting Manual for the year ended 31 March 2013, accounts for its pension scheme obligations under the full accounting requirements of IAS 19: 'Accounting for Retirement Benefits in Financial Statements of Employers'. There are legacy pension schemes from MLC and HGCA with recognition of pension assets of £1.8 million and liabilities of £0.2 million respectively in the AHDB Statement of Financial Position. These assets and liabilities are owned by MLC and HGCA Pension Schemes and, in accordance with the Pension Scheme Surpluses (Valuation) Regulations 1987, are not available to AHDB.

## Fixed assets

One of AHDB's freehold properties is held for resale and has been valued under the provisions of IFRS 5 – Non-current assets classified as held for sale – at the lower of carrying value and fair value less estimated costs to sell. The other freehold property to be retained was professionally revalued as at 31 March 2011 and is retained in the balance sheet at that value, less depreciation to 31 March 2013. Details of the movements in Property, Plant and Equipment during the year are set out in Note 8 to the accounts and the Statement of changes in reserves.

## Employees

AHDB is supported by a dedicated team of permanent staff. The Senior Executive Team (SET) meets regularly and is charged with disseminating policy to staff through a system of divisional team briefings and departmental

meetings. AHDB has a policy of equal opportunities and offers employment to a suitably qualified person whenever vacancies occur. We monitor the ethnic, gender and age composition of the existing workforce and of applicants for jobs (including promotion) and the number of people with disabilities within these groups and will consider and take any appropriate action to address any problems which may be identified as a result of the monitoring process.

Absence due to sickness is monitored across the AHDB group and in the year ended 31 March 2013, days lost through sickness equated to 2.52 days per full time equivalent employee or 0.97% of total attendance (2012: 3.67 days, 1.41%).

Details of AHDB Board members and statutory committees are shown on page 5. Sector board members are shown on pages 72 to 73.

### **Payment policy**

It is the policy of AHDB to pay accounts according to suppliers' payment terms or, where such terms are not specified, to pay within 30 days of agreement of the amount invoiced. As at 31 March 2013, the amount owing to trade creditors equates to 18 days' purchases outstanding (2012: 19 days).

### **Environmental issues**

AHDB's own long-term environmental targets will be put in place once the organisation has established itself in its final office accommodation on Stoneleigh Park, replacing the various temporary offices it currently occupies. Although this is not expected to complete during the next financial year, measures have been monitored for year ending 31 March 2013 and targets representing a continuous improvement will be set on the basis of that data, disclosed below, for the year ending 31 March 2014 and beyond. Further information is supplied in the Sustainability Report on page 21.

### **Auditor**

The external auditor of AHDB and its subsidiaries is the Comptroller and Auditor General. Services are limited to the statutory audit and no fees were paid in respect of non-audit services.

### **Disclosure of audit information to the Comptroller and Auditor General**

So far as the Accounting Officer is aware, there is no relevant audit information of which AHDB's auditor is unaware. The Accounting Officer has taken all steps he ought to have taken to make himself aware of any relevant audit information and to establish that AHDB's auditor is aware of that information.

### **Authorisation for issue**

The Accounting Officer authorised these statements for issue on 13 June 2013.

# Sustainability report

**Introduction and performance summary:** Sustainability is right at the heart of the solutions we deliver for our levy payers, one of the five corporate objectives being: 'improve ways in which the industry contributes to sustainable development'. However, as a new organisation which has been in transition for its first few years, both in structure and location, it has not been an area for which internal AHDB objectives and targets have been set. As a result, we have been unable to quantify performance to this point. We do, however, act responsibly as an employer and as an organisation through such mechanisms as encouraging car sharing, our waste recycling and our purchasing from sustainable sources, where possible. For example, we set firm requirements for our cleaning contractors to adhere to government buying standards, which include using only environmentally friendly products and packaging.

**Strategy:** In March 2012, the Board agreed that AHDB needed to collect baseline data, which has been done as far as the current accommodation arrangements allow, for 2012/13. The Board will look to set targets to improve sustainability, where appropriate, in consideration of the baseline data collected for 2013.

During 2012/13 AHDB introduced an updated company car policy which restricts the choice of car CO<sub>2</sub> emissions to a maximum of 125. The policy also encourages staff to seek alternatives to long distance driving where possible, such as conference calls video conferences or using public transport, which has significantly lower measure of emissions. The organisation is planning to enhance facilities to enable more meetings to be held by web conferencing to further reduce requirements to travel.

AHDB's carbon footprint, measured in tonnes of CO<sub>2</sub>, (see table), shows that 95% is incurred through vehicle mileage. AHDB sees this as a priority area for seeking to reduce its CO<sub>2</sub> emissions.

AHDB is looking critically at layouts and space planning for the permanent accommodation, recognising that one of the greatest impacts on sustainable buildings is workspace.

**Biodiversity:** AHDB and its divisions actively encourage the conservation and enhancement of on-farm biodiversity as a positive business benefit within a number of the areas of our research and knowledge transfer work. For example, through our advice on 'Enhancing arable biodiversity through the management of uncropped land'; 'Managing biodiversity in field margins to enhance integrated pest control in arable crops (3-D Farming Project)' and as an integral part of our Industry Environmental Roadmaps for the dairy, pig and beef & lamb sectors. As far as our own real estate is concerned we lease our main offices and the responsibility for the natural environment of Stoneleigh Park rests with our landlord.

**Measures:** AHDB collected the following baseline data for 2012/13:

Greenhouse Gas Emissions	Measure	Tonnes CO <sub>2</sub>
<b>Scope 1: Direct Emissions</b>		
<b>Bulk Fuels:</b>		
Vehicles (miles)	1,247,596	201,852
Heating oil (litres)	37,363	111
Gas (kWh)	153,008	28
<b>Scope 2: Energy Indirect</b>		
Electricity (kWh)	929,201	490
<b>Scope 3: Other Indirect Emissions:</b>		
Rail travel (miles)	159,765	13,617
Travel by non-AHDB-owned transport (miles)	588,416	95,201
Waste management (tonnes)	24	3
<b>Total</b>		<b>311,302</b>
<b>Tonnes/£m income</b>		<b>4,864</b>

**Water:** Due to the temporary nature of AHDB's current accommodation, we do not have water meters fitted to our main office premises and we have emphasised to our landlord and developers that this is a firm requirement for our permanent offices, which we expect to occupy during the financial year ending 31 March 2015. The cost of the water supply is allocated to the various occupants of the Stoneleigh Park site as part of the 'service charges'. The total cost of our water supply in 2012/13 was £8,304. This information is provided for illustrative purposes, it is based on allocation which may not equate to usage.

**Waste management:** Although there are no Council-run waste recycling collections at our main office site, we recycle waste paper and cardboard, plastic bottles and printer cartridges. The analysis of our total waste is that 13 tonnes were recycled and 11 tonnes went to landfill. The total spend on waste management in the year was £19k. AHDB actively encourages recycling of packaging materials and paper.

# Remuneration report

## Membership of the Remuneration and Nominations Committee

Membership of the Remuneration and Nominations Committee consists of four AHDB Board members appointed by the Board. The Chairman of the Committee throughout the year was Lorraine Clinton, an independent AHDB Board member. The other members of the Committee as at 31 March 2013 were Tim Bennett, Stewart Houston and Allan Stevenson. Membership is reviewed periodically or on termination of a member's appointment.

## Policy on the remuneration of the Board, Chief Executive and senior staff

The remuneration of Board members is determined by Defra Ministers. There are no pension arrangements or performance-related emoluments in place for any Board members.

The Remuneration and Nominations Committee's function in relation to its responsibilities regarding remuneration is as follows (a summary of the activity of the Committee regarding Nominations is included in the Governance Statement on page 31):

- Advise Defra on the number of days commitment required from AHDB Board members
- Set the remuneration for the sector board members
- Advise the Board, in consultation with Defra, on the performance objectives and remuneration terms linked to these objectives for the AHDB Chief Executive
- Advise the Board on the total remuneration packages for the senior managers in the AHDB Group, including pay, benefits and pension arrangements. The definition of Senior Management is AHDB Chief Executive, the directors for each of the Sectors, the Market Intelligence Director, the Director of FABS, the Director of HRCS, the Chief Scientist and the Head of Corporate Communications
- Advise the Board, in consultation with the Chief Executive, on the proposals for any annual review for staff in general.

In detail, the Remuneration and Nominations Committee is specifically charged with determining AHDB's policy on the remuneration of those covered by the scope of this Committee to ensure that these packages are appropriate to attract, retain and motivate senior staff of appropriate calibre in line with the needs of AHDB and the industry.

In this context, the Remuneration and Nominations Committee will give full consideration to the best practice provisions for remuneration policy, contracts and compensation.

See tables on the following pages for full details of the remuneration of the Board, Chief Executive and senior executive staff.

## Methods used to assess whether performance conditions are met

The Committee considers and, if appropriate, approves the Chairman of the Board's recommendation concerning the salary and incentive scheme for the Chief Executive on an annual basis. Specifically, bonus payments made to senior staff and the Chief Executive were and continue to be, based on assessment of individual performance against written and agreed targets.

## Proportion of remuneration which is subject to performance conditions

None of the remuneration of any AHDB Board member is subject to performance conditions.

The amount of remuneration of the Chief Executive which is subject to performance conditions is restricted under government pay guidelines to a maximum of £12,500. For senior staff, payment related to performance is up to 10% of salary.

## Policy on duration of contracts and notice periods and termination payments

Ministers have the right to terminate the appointment of any Board member for any of the reasons specified in the Statutory Instrument 2008 No. 576 (Schedule 2, paragraph 2(3)).

Board members may resign by notice given in writing to the Secretary of State or other Ministers, if appropriate. No notice period is required and no termination payments apply.

Senior AHDB staff are appointed on permanent contracts. All their notice periods are six months to reflect the business needs of the organisation and any termination payments made would be on contractual terms only.

## Remuneration of senior executive staff (audited)

Set out below are details of the remuneration of AHDB's senior executive staff during the year to 31 March 2013. Benefits include the provision of a company car, private health cover and, where applicable, other miscellaneous allowances and holiday buy-back arrangements. No other non-cash benefits were provided.

	For the year ended 31-Mar-13				For the year ended 31-Mar-12
	Basic salary £'000	Bonus £'000	Benefits in kind £	Total £'000	Total £'000
Tom Taylor: Chief Executive	145-150	5-10	10,000	165-170	165-170
Nick Allen: Director of EBLEX Sector	70-75	0-5	9,400	85-90	85-90
Guy Attenborough: Head of Communications	70-75	0-5	9,100	80-85	85-90
Ken Boyns: Director of Market Intelligence	80-85	0-5	9,100	95-100	95-100
Rob Clayton: Director of Potato Council Sector	65-70	0-5	6,500	75-80	75-80
Ian Crute: Chief Scientist (Note 2)	100-105	0-5	10,900	115-120	165-170
Jackie Dubery: Director of Human Resources and Corporate Services	80-85	5-10	7,500	95-100	100-105
Rebecca Geraghty: Director of HGCA Sector	65-70	Waived	6,100	70-75	75-80
Chris Goodwin: Director of Finance and Business Services	80-85	5-10	8,000	95-100	90-95
Bill Parker: Director of HDC Sector	65-70	0-5	8,300	75-80	75-80
Duncan Pullar: Director of DairyCo Sector	70-75	0-5	7,000	80-85	75-80
Mick Sloyan: Director of BPEX Sector	85-90	5-10	10,300	100-105	100-105

Note 1: There were no payments made in respect of compensation for the termination of any contracts for senior executive AHDB staff in 2012/13.

Note 2: The remuneration of Ian Crute for the year ended 31 March 2012 included £45k in respect of relocation expenses.

## Contracts of employment for senior executive staff (audited)

Set out below are details of the contracts of employment for AHDB's senior executive staff as at 31 March 2013.

	Contract start date	Contract expiry date	Contract notice	Unexpired term
Tom Taylor, Chief Executive	01-May-10	Indefinite	6 months	Not applicable
Nick Allen: Director of EBLEX Sector	01-Oct-09	Indefinite	6 months	Not applicable
Guy Attenborough: Head of Communications	07-Sep-10	Indefinite	6 months	Not applicable
Ken Boyns: Director of Market Intelligence	01-Feb-07	Indefinite	6 months	Not applicable
Rob Clayton: Director of Potato Council Sector	22-Feb-10	Indefinite	6 months	Not applicable
Ian Crute: Chief Scientist	01-Sep-09	Indefinite	6 months	Not applicable
Jackie Dubery: Director of Human Resources and Corporate Services	15-Mar-10	Indefinite	6 months	Not applicable
Rebecca Geraghty: Director of HGCA Sector	01-Jun-09	Indefinite	6 months	Not applicable
Chris Goodwin: Director of Finance and Business Services	28-Feb-11	Indefinite	6 months	Not applicable
Bill Parker: Director of HDC Sector	25-Aug-09	Indefinite	6 months	Not applicable
Duncan Pullar: Director of DairyCo Sector	01-Nov-10	Indefinite	6 months	Not applicable
Mick Sloyan: Director of BPEX Sector	01-Oct-02	Indefinite	6 months	Not applicable

The contract start date is the date at which the employee took up their current position. Dates referring to contracts commencing prior to the start-up of AHDB on 1 April 2008 represent the date the executive commenced their role with the preceding organisation.



## Pension Scheme particulars of senior executive staff (audited)

Set out below are the Pension Scheme particulars of AHDB's senior executive staff during the year to 31 March 2013.

	Pension Scheme details	Employees contribution rate	Employers contribution rate
Tom Taylor: Chief Executive	AHDB Group Personal Pension Plan	5.0%	10.0%
Nick Allen: Director of EBLEX Sector	MLC Defined Benefit Scheme	6.5%	10.5%
Guy Attenborough: Head of Communications	MLC Defined Benefit Scheme	6.5%	10.5%
Rob Clayton: Director of Potato Council Sector	AHDB Group Personal Pension Plan	5.0%	10.0%
Ian Crute: Chief Scientist	Private pension arrangement	-	-
Jackie Dubery: Director of Human Resources and Corporate Services	AHDB Group Personal Pension Plan	7.0%	10.0%
Rebecca Geraghty: Director of HGCA Sector	HGCA Defined Benefit Scheme	6.5%	17.2%
Chris Goodwin: Director of Finance and Business Services	AHDB Group Personal Pension Plan	5.0%	10.0%
Bill Parker: Director of HDC Sector	AHDB Group Personal Pension Plan	5.0%	10.0%
Duncan Pullar: Director of DairyCo Sector	MLC Defined Benefit Scheme	6.5%	10.5%
Mick Sloyan: Director of BPEX Sector	MLC Defined Benefit Scheme	6.5%	10.5%

## Pension entitlement of senior executive staff: defined benefit schemes (audited)

Set out below are details of the pension benefits accrued at and earned by each of AHDB's senior executive staff who were members of a defined benefit scheme during the year to 31 March 2013.

	Total accrued pension			Cash equivalent transfer value		
	Annual entitlement	Real terms	Annual entitlement		Real terms	
	as at 31-Mar-13 £'000	inc in year £'000	as at 31-Mar-12 £'000	As at 31-Mar-13 £'000	inc in year £'000	As at 31-Mar-12 £'000
Nick Allen: Director of EBLEX Sector	15-20	0-2.5	15-20	249	12	220
Guy Attenborough: Head of Communications	15-20	0-2.5	10-15	174	10	151
Rebecca Geraghty: Director of HGCA Sector	10-15	0-2.5	10-15	244	25	214
Duncan Pullar: Director of DairyCo Sector	15-20	0-2.5	15-20	193	9	169
Mick Sloyan: Director of BPEX Sector	50-55	0-2.5	45-50	810	6	733

### Total accrued pension

The accrued annual pension entitlement shown is the amount that would be paid each year on retirement based on service to the end of the current year. The increase in the additional pension earned during the year excludes any increase for inflation.

### Cash equivalent transfer value (CETV)

This 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. It is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

## Pension entitlement of senior executive staff: defined contribution schemes (audited)

Set out below are details of the employer's contributions made on behalf of AHDB's senior executive staff who were members of a defined contribution scheme during the year to 31 March 2013.

	Employer's contributions	
	For the year ended	For the year ended
	31-Mar-13 £'000	31-Mar-12 £'000
Tom Taylor: Chief Executive	15	15
Ken Boyns: Director of Market Intelligence	10	10
Rob Clayton: Director of Potato Council Sector	7	5
Jackie Dubery: Director of Human Resources and Corporate Services	8	8
Chris Goodwin: Director of Finance and Business Services	8	8
Bill Parker: Director of HDC Sector	7	6

## Fair Pay report

In accordance with the requirements of the Hutton Fair Pay Review, AHDB is required to disclose the relationship between the remuneration of the highest paid Executive of AHDB and the median remuneration of AHDB's workforce.

The banded remuneration of the highest paid Executive in AHDB in the financial year 2012/2013 was £165k - £170k (2011/12: £165k - £170k). The median remuneration of the workforce was £30k - £35k, a ratio of 5.2 times (2011/12: £30k - £35k, 5.5 times).

In 2012/13 and 2011/12, no employees received remuneration higher than the highest paid Director. Total remuneration includes salary, non-consolidated performance-related pay, benefits in kind as well as severance payments. It does not include employer pension contributions and the cash equivalent transfer value of pensions.

## Emoluments of AHDB Board members (audited)

Set out below are details of the emoluments of AHDB's Board members during the year ended 31 March 2013. No other cash or non-cash benefits were provided to AHDB Board members.

	For the year ended 31-Mar-13 £'000	For the year ended 31-Mar-12 £'000
John Godfrey: Chairman of AHDB	50-55	45-50
Tim Bennett: Chairman of DairyCo Sector Board	45-50	45-50
Christopher Bones: Independent Director of AHDB	10-15	15-20
Neil Bragg: Chairman of HDC Sector Board	45-50	45-50
Lorraine Clinton: Independent Director of AHDB	20-25	25-30
John Cross: Chairman of EBLEX Sector Board	45-50	45-50
Clare Dodgson: Independent Director of AHDB	-	15-20
Stewart Houston: Chairman of BPEX Sector Board	45-50	45-50
Tim Kelly: Independent Director of AHDB	5-10	-
Alan Stevenson: Chairman of Potato Council Sector Board	45-50	45-50
Jonathan Tipples: Chairman of HGCA Sector Board	45-50	45-50

The emoluments of AHDB's Board members during the year ended 31 March 2013 were paid on the basis that a certain number of planned days were worked. Lorraine Clinton's emoluments include payment in respect of duties carried out in the role as Chair of the MLC Defined Benefit and Defined Contribution Pension Schemes.

Set out below are the details of Board members' terms of office:

	Contract start date	Contract end date
John Godfrey: Chairman of AHDB	16-May-11	31-Mar-14
Tim Bennett: Chairman of DairyCo Sector Board	01-Apr-12	31-Mar-14
Christopher Bones: Independent Director of AHDB	01-Apr-12	31-Mar-13
Neil Bragg: Chairman of HDC Sector Board	01-Apr-12	31-Mar-14
Lorraine Clinton: Independent Director of AHDB	01-Apr-12	31-Mar-14
John Cross: Chairman of EBLEX Sector Board	01-Apr-12	31-Mar-14
Stewart Houston: Chairman of BPEX Sector Board	01-Apr-12	31-Mar-15
Tim Kelly: Independent Director of AHDB	13-Aug-12	31-Mar-15
Alan Stevenson: Chairman of Potato Council Sector Board	01-Apr-12	31-Mar-13
Jonathan Tipples: Chairman of HGCA Sector Board	01-Apr-12	31-Mar-15

Ministers appointed David Piccaver (Chairman Potato Council Sector Board) and Will Lifford (Independent Director AHDB) to the Board. Their contracts commenced on 1 April 2013 and expire on 31 March 2016.

**Tom Taylor**  
**Chief Executive and Accounting Officer**  
**Agriculture and Horticulture Development Board**



# **Agriculture and Horticulture Development Board Financial Section 2012/13**

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## Statement of the Board's and Chief Executive's responsibilities

Under the Agriculture and Horticulture Development Board Order 2008, the Secretary of State, with the consent of HM Treasury, has directed AHDB to prepare, for each financial year, a statement of accounts in the form and on the basis set out in the Accounts Direction. The accounts are prepared on an accruals basis and must give a true and fair view of the state of affairs of AHDB and of its income and expenditure, changes in reserves and cash flows for the financial year.

In preparing the accounts, AHDB and its Accounting Officer are required to comply with the requirements of the Government Financial Reporting Manual and, in particular, to:

- Observe the Accounts Direction issued by Ministers, including the relevant accounting and disclosure requirements and apply suitable accounting policies on a consistent basis
- Make judgements and estimates on a reasonable basis
- State whether applicable accounting standards, as set out in the Government Financial Reporting Manual, have been followed and disclose and explain any material departures in the financial statements
- Prepare the financial statements on a going concern basis.

The Accounting Officer of the Department for Environment, Food and Rural Affairs has designated the Chief Executive as the Accounting Officer of AHDB. 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 AHDB's assets, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum and *Managing Public Money*, issued by HM Treasury.

## Governance statement 2012/13

As Accounting Officer, I have responsibility for maintaining a sound process of governance and system of internal control that supports the achievement of AHDB's policies, aims and objectives, while safeguarding the public funds and departmental assets for which I am personally responsible, in accordance with the responsibilities assigned to me in *Managing Public Money*, issued by HM Treasury.

AHDB is a Non-Departmental Public Body established under the Agriculture and Horticulture Development Board Order 2008. AHDB levy income is covered by HM Treasury rules for the governance of public money. The Department for Environment, Food and Rural Affairs (Defra) acts as AHDB's 'sponsor' Government department. As AHDB's Accounting Officer, I am accountable to Ministers and devolved governments on the appropriate use of levy funds and corporate governance standards applicable to public bodies. A Management Statement and Financial Memorandum sets out the broad framework within which AHDB and Defra are required to operate in their relationship.

### The purpose of governance

The process of governance, which incorporates 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. It is a continuing process designed to determine the organisation's appetite for risk before identifying and prioritising the risks to the achievement of AHDB's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.

The process of governance and system of internal control were further embedded throughout the organisation during the year ended 31 March 2013 and, up to the date of approval of the Annual Report and Accounts, accord with HM Treasury guidance.

### Leadership

Leadership over the governance and risk management process is provided by the AHDB Board, Sector Boards, the Audit Committee and the Senior Executive Team (SET). During the financial year ended 31 March 2013, as Chief Executive, I acted as sponsor of AHDB's corporate governance and risk management programme, with the Director of Finance and Business Services (FABS) and Director of Human Resources and Corporate Services (HRCS) acting as key programme managers. There is a risk management policy in place which details how the organisation manages governance and risk across the organisation and this is outlined in the sections below.

## The risk and control framework

The key components of AHDB's governance and control framework are discussed in overview below:

### Risk management policy

AHDB's risk management policy constitutes a key element of its internal control and corporate governance framework and covers AHDB's approach to risk management, roles and responsibilities and key aspects of the risk management process. The risk management policy and procedures are actively embedded throughout the organisation, through a formal monthly review process (led by the SET Risk Management Committee) and by cascading risk management across the organisation by holding formal training sessions for sector and corporate management teams. The risk policy is available to all staff via the intranet. Risk management is integral throughout the organisation, with risk management included in project management and ongoing activities.

### Risk appetite

At Board and Audit Committee meetings, the AHDB Board regularly reviews its approach to risk appetite, defined in a formal Statement on Risk Appetite which provides guidance to management on the level of risk considered appropriate against key areas of strategic interest. While AHDB regards its appetite for risk as low, it recognises that an aversion to risk must not prevent it from taking opportunities which will aid successful and innovative development in line with its Corporate Plan. Its appetite for particular risks will depend not only on the likelihood and impact of the risk (before and after controls) but also on the effect on the core business if the risk materialises.

It will, therefore, be risk averse in core activities which, if they failed, might jeopardise the finances of or seriously undermine the reputation of AHDB but will be risk tolerant where failure would not cause serious financial or reputational damage and where success would lead to significant advantages to AHDB in achieving its strategy and longer-term aims. The appetite as agreed by the Board is a singular one to be applied by all sectors and corporate divisions.

### Risk register

AHDB has a comprehensive corporate risk register, which identifies headline and sub-risks and scores these on a pre- and post-control basis by likelihood and impact, noting any key preventative and remedial controls in place. The register is kept up to date on an ongoing basis and the full or core register is presented to each SET and Audit Committee meeting and annually to the AHDB Board. A risk management committee, consisting of the Directors of Market Intelligence, FABS and HRCS, Head of Communications, a Sector Director and the IT Manager, meets monthly to consider and review the Risk Register in detail and consider potential new risks to be added to the register. The Risk Register is maintained at both corporate and sector level and risks are assessed according to their likelihood and their prospective financial impact on the organisation. Sectors assess risks based on lower materiality levels. Risks applicable to individual sectors also appear on the Corporate

Register if the impact is material to the organisation as a whole.

Risks are evaluated and scored according to their likelihood and their impact, from 1 to 6 in each case and the two scores multiplied to give a Gross Risk rating. Mitigating controls and other actions which may further reduce the risk are considered, which then may reduce the actual risk to AHDB and produce a Net Risk score. Risks are then categorised as Red/Amber/Green according to the Net Risk score.

An example of a key risk is: "inability to conduct levy payer services in the event of a major disaster". This relates predominantly to the possibility of a loss of IT services causing, for example, levy payers to be temporarily denied critical up-to-date Market Intelligence data. Consideration of this risk has led to actions being agreed as to how the risk can be mitigated and implemented accordingly. As such, AHDB has developed a Business Continuity Plan and improved the physical security of systems and data back-ups to enable levy payer-facing critical services to continue in such an event.

Examples of other risks identified, assessed and mitigated through the process include: the risk of a levy payer ballot leading to a Ministerial decision to withdraw one or more statutory levies; reputation of the organisation being compromised due to a breakdown in data security.

### Anti-fraud policy

AHDB is committed to ensuring that the risk of fraud in all its forms is minimised. An important part of this approach is its anti-fraud policy, which informs staff of AHDB's approach to the serious issue of fraud and incorporates a fraud response plan. Detailed training has been delivered to the AHDB Board and Senior Executive Team on the Bribery Act and Anti-fraud legislation.

### Standing Instructions (SI)

AHDB's Standing Instructions (SI) define the operating procedures for the organisation and include the Standing Orders, Standing Financial Instructions and a Scheme of Delegation. These have been reviewed and updated during 2012/13 and were approved by the Board in July 2012.

### Corporate Plan

AHDB's Corporate Plan is produced annually for the forthcoming three-year period and sits at the apex of its planning hierarchy. Top-line outcomes, strategies and performance indicators are presented in the context of an industry PESTLE (Political, Economic, Social, Technological, Legal and Environmental) analysis. A risk management component is also included, which ensures that key risks are identified at the planning phase and an appropriate control environment constructed to proactively manage these. Detailed divisional plans, including those for shared central service departments, sit behind the Corporate Plan.

The Corporate Plan provides an essential context for the development of business plans and financial budgets, which are produced annually for the

forthcoming 12-month period and underpin the three-year Corporate Plan.

### **Procurement policy and protocol**

Under the leadership of the Procurement Controller, the procurement function is integrated with the rest of the organisation in employing best practice. A new strategic plan is in preparation to be presented to the Board in 2013 to optimise the value for money and operational benefits available to the organisation. The function met its clearly defined targets for the year 2012/13, including targets for generating cost savings, for the second year.

The other principal objective of the Procurement function is to ensure AHDB procures its goods and services in compliance with EU procurement regulations. Its processes have to be able to withstand public scrutiny and have been sufficiently robust to ensure no formal challenges were raised during the financial year.

### **Information security framework**

AHDB has controls in place to provide reasonable assurance that information in its widest sense is handled accurately and securely. These controls underpin the requirement that all information used for operational purposes and financial reporting purposes needs to be captured and processed accurately and to an appropriate quality standard, particularly where it is used by third parties or relied upon by other parts of Government.

Each divisional and Corporate Director has been nominated as an Information Asset Owner (IAO) and is responsible for proper data handling within their area of responsibility. Each division, both sector and corporate, holds an Information Asset Register which is reviewed by the Director of FABS and requires each IAO to certify annually.

All staff within AHDB are required to participate annually in a Data Handling e-learning package developed on behalf of the Cabinet Office. All databases have been reviewed for data risk and, for last year, AHDB has had no data-related incidents to report.

### **Review of effectiveness**

As Accounting Officer, I have responsibility for reviewing the effectiveness of the process of governance. My review of the effectiveness is informed by the work of the internal auditors and the SET within AHDB who have responsibility for the development and maintenance of the governance processes and internal control framework and comments made by the external auditor in its management letter and other reports.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee and a plan to ensure continuous improvement of the system is in place. AHDB embraces the principles and requirements of good corporate governance and we have established a Risk Management Group and implemented the following processes in maintaining and reviewing the effectiveness of the system of internal control.

### **AHDB Board**

The AHDB Board normally consists of 10 members: the chairman, three independent members and six who are also chairs of the sector boards. The members are appointed by Ministers and are listed on page 5.

In keeping with the corporate governance code for central government, the Board operates with the support of sub-committees – Audit and Remuneration and Nominations. This is a reduction from three, as previously there was a separate committee for Nominations until July 2012, when the Board approved an amalgamation of the Remuneration and Nominations Committees as part of the changes to its Scheme of Delegation. The reduction was made in order to reduce administration and streamline the sector board recruitment process. The committees are managed against an agreed set of terms of reference.

In order to maintain sector focus, AHDB operates with six sector boards representing the commodity sectors covered by its statutory remit and listed in the section 'About AHDB' on page 4. The sector boards are made up of members, representing their specific sectors, appointed by AHDB, including at least one independent member per sector. The primary function of the sector board is to act in the very best interests of the sector at all times. Each board has functions delegated from the AHDB Board giving it the duty to develop the most appropriate strategies to meet the challenges of the sector; to ensure the relevant levy rate is recommended in order to provide adequate funding for the required work; monitor strategy implementation and approve remedies where performance deviates from plan.

Internal auditors carried out a number of audits of internal control systems during the year based on a plan agreed by the Audit Committee and Board. The follow-up audits on Corporate Governance and Risk Management provided further assurance that risks material to the achievement of AHDB's corporate objectives and measures are adequately managed and controlled.

The AHDB Board, which met six times last year, has a number of key roles in the management of risk, including setting the tone and influencing the culture of risk management within AHDB. This included determining the level of risk that is acceptable in specific areas of activity. The Board achieves this by applying the criteria described in the section 'Risk Appetite' covered earlier in the Governance Report. Of the six meetings held during the year, seven members attended all meetings, two (Lorraine Clinton and John Cross) attended five and one (Chris Bones) attended three.

There are a number of standing items on which the Board receives written reports for information, discussion or on which to make decisions. These include financial information in the form of the most recent management accounts and Finance Director's report covering performance, liquidity and risk; Health and Safety review; quarterly activity, risk and opportunity updates from each sector and corporate function; latest minutes of sub-committees; Chair and Chief Executive reports; reports on pension issues and summary Risk Register. In addition, reports are circulated to the Board as appropriate covering current industry issues to enable the Board to determine

priorities for AHDB and ensure it develops its strategy to deliver services in line with the industry's needs. During 2012/13 examples of such reports have included: updating of AHDB's position with regard to Genetic Modification of Crops; updates on skills within the industry and how AHDB can deliver a skills development strategy and a paper advising on the EU Framework Programme 8 (Horizon 2020) and recommending how AHDB should be involved in that project in a leading capacity at strategic level.

Members of the Executive team attend Board meetings for appropriate Agenda items and to discuss papers relating to their areas of expertise. The Board regularly reviews the type and quality of information it receives, including the regular reports, in order to engender a culture of continuous improvement. The Board has developed a programme which includes holding informal sessions with the SET, including in-depth reviews of the data they receive and ensuring they continue to relate to items pertinent to levy payers. The Board considers the quality of data it receives as being acceptable for the purpose of enabling it to make its decisions as necessary to discharge its duties. Where further information is required it is provided either at the next meeting or is circulated to enable decisions to be finalised sooner if required.

The effectiveness of the Board is assessed by holding annual individual appraisals of each Board member with Defra and the Chair, while the performance of the Chair is reviewed by Defra. The Board also assesses its own effectiveness by individually completing evaluations for each agenda item and contributor. These are reviewed and followed up by the Chair. The process for assessing Board effectiveness will be further developed in 2013/14 by the introduction of a formal and comprehensive Board Effectiveness review document (based on a National Audit Office (NAO) template) for completion by all Board members. The Board considers that it has complied with the Corporate Governance Code in so far as it applies to externally funded Arm's Length Bodies (ALBs).

## Audit Committee

Membership of the Audit Committee is detailed on page 5. Five meetings were held in the year and all the Committee members attended every meeting but Chris Bones and Lorraine Clinton each attended one meeting by conference telephone call.

The broad thrust of AHDB's Audit Committee Terms of Reference is that the Audit Committee supports the Accounting Officer with a constructive and challenging approach. The remit of the Audit Committee is defined to include advising the Accounting Officer on strategic processes for risk control, governance and the Governance Statement, as well as considering the planned activity and results of both internal and external audit.

The Audit Committee has supervised the development of stronger Board governance on behalf of levy payers, ensuring processes are in place to hold the executive to account through greater transparency of reporting, internal audit of key operating systems as well as risk and governance priorities.

The Committee is satisfied that the general level of management control is sufficient to assure levy payers

that the focus of the AHDB organisation is in ensuring good value for the monies raised by the levies in all six sectors. In reviewing the effectiveness of AHDB's internal control, the Audit Committee has undertaken the following key activities:

**Internal control:** Gained assurance that significant internal control recommendations made by internal and external auditors have been implemented by management.

**Financial reporting:** Gained an understanding of the current areas of greatest financial risk and how the executive is managing these effectively. Discussed significant risks and exposures with management and the internal and external auditors and monitored management's plans to minimise such risks.

**Internal audit:** Reviewed the activities and organisational structure of the internal audit function and ensured no unjustified restrictions or limitations are made. Ensured that significant findings and recommendations made by the internal auditors are received and discussed on a timely basis and that management responded to recommendations made by the internal auditors.

**External audit:** Reviewed the external auditors' proposed audit scope and approach and ensured no unjustified restrictions or limitations have been placed on the scope. Considered the independence of the external auditor in the context of all services acquired by AHDB. Ensured that significant findings and recommendations made by the external auditors are received and discussed on a timely basis and that management responded to recommendations made by the external auditors.

## Remuneration and Nominations Committee

Membership of the Remuneration and Nominations Committee is detailed on page 5. During 2012/13 the Remuneration and Nominations Committees were combined as part of the review of the Standing Financial Instructions and Scheme of Delegation. This change was made in order to reduce the number of formal committees required. The new, combined committee is chaired by an Independent Non-executive Director from AHDB and includes three sector chairs from the Board. During 2012/13 the Committee has had to continue to implement stringent government expectations on pay. The Remuneration and Nominations Committee meets at least twice a year to:

- Review the half year KPI results, approve the implementation of government guidelines on pay and track progress of Chief Executive and Senior Management appraisals;
- Assess the annual performance of the Chief Executive and Senior Executive Team;
- Determine the strategic direction of compensation and benefits across the organisation, providing the AHDB Board with assurances of performance and reward;
- Oversee the recruitment process for sector board recruitments;
- Review succession planning arrangements across AHDB. All meetings had full attendance by all Committee members.



During 2012/13, the Committee continued to recruit to the sector boards against the phased programme of rotation agreed in 2010. There were 19 vacancies to be filled, covering all Divisions. The vacancies were advertised in national newspapers and specific industry journals and 77 application packs were sent out, 38 interviews were held and 16 of the 19 posts were successfully appointed.

### **The AHDB Senior Executive Team (SET)**

SET members are responsible for ensuring that risks have been properly identified and assessed across their work areas. They are responsible for agreeing the risk register for their work areas and for ensuring that each department actively addresses the risks and escalates those risks up to SET for their attention as appropriate. They are responsible for ensuring delivery of the strategies set by the Board, in addition to supervising the day to day management operations within AHDB.

### **Internal audit**

AHDB's internal audit function is outsourced to RSM Tenon, as part of its contractual arrangement with Defra. AHDB is allocated 75 days per year of RSM Tenon's internal audit resource. The function operates to standards defined in the Government Internal Audit Standards. The internal audit function has a central role in assessing the robustness of the implementation of the risk management strategy and management of internal controls across AHDB. It provides information on the various strengths and weaknesses of the approach and advises on where improvements are necessary and desirable for the good governance of AHDB. RSM Tenon's agreed work plan is derived from AHDB's assessment and evaluation of risks as documented in the risk register.

The internal audit strategy for AHDB is set annually and approved by the Audit Committee. Core Financial Systems are audited annually, while Risk Management and Corporate Governance are audited or followed up each year. The strategy takes into account that a proportion of the 75 days' allocation is used to follow up recommendations made in previous years' audits to ensure areas for improvement identified by the Internal Auditors are actioned.

### **Significant internal control issues**

No significant internal control issues were brought forward from 2011/12 and no new ones were raised in 2012/13.

**Tom Taylor,**  
**Chief Executive and Accounting Officer**  
**Agriculture and Horticulture Development Board**

# **The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament, the Scottish Parliament, the National Assembly for Wales and the Northern Ireland Assembly**

I certify that I have audited the financial statements of the Agriculture and Horticulture Development Board for the year ended 31 March 2013 under the Natural Environment and Rural Communities Act 2006. The financial statements comprise: the Consolidated Statement of Comprehensive Income, the Consolidated and AHDB Statements of Financial Position, the Consolidated and AHDB Statements of Movement in Reserves, the Consolidated and AHDB Cash Flow Statements 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 Board and Chief Executive, and auditor**

As explained more fully in the Statement of the Board's and Chief Executive's Responsibilities, the Board and the Chief Executive as Accounting Officer are 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, certify and report on the financial statements in accordance with the Natural Environment and Rural Communities Act 2006. 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 group's and the Agriculture and Horticulture Development Board's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Agriculture and Horticulture Development Board; 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.

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

## **Opinion on regularity**

In my opinion, in all material respects the expenditure and income recorded in the financial statements have been

applied to the purposes intended by Parliament and the financial transactions recorded in the financial statements conform to the authorities which govern them.

## **Opinion on financial statements**

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of the Agriculture and Horticulture Development Board's affairs as at 31 March 2013 and of the group's surplus for the year then ended; and
- the financial statements have been properly prepared in accordance with the Natural Environment and Rural Communities Act 2006 and Secretary of State 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 Secretary of State directions made under the Natural Environment and Rural Communities Act 2006; and
- the information given in the sections of the Annual Report entitled "AHDB Board and statutory committees" and "Management commentary" 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 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 Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

## **Report**

I have no observations to make on these financial statements.

**Amyas C E Morse**  
**Comptroller and Auditor General**

**National Audit Office**  
157-197 Buckingham Palace Road  
Victoria, London SW1W 9SP

**13 June 2013**

# Consolidated statement of comprehensive income

## for the year ended 31 March 2013

	Note	For the year ended 31-Mar-13 £'000	For the year ended 31-Mar-12 £'000
<b>Income</b>			
Gross levy	2	55,061	55,347
Non-levy sources	2	9,401	9,339
<b>Total income</b>		<b>64,462</b>	<b>64,686</b>
<b>Operating expenditure</b>			
<b>Levy collection</b>			
Staff costs	2, 3	(377)	(390)
Other costs	2, 5	(923)	(687)
<b>Core strategic activities</b>			
Staff costs	2, 3	(18,725)	(17,623)
Other costs	2, 5	(41,813)	(41,884)
Current pension service cost	20d	(753)	(744)
Past pension service cost	20d	(19)	-
<b>Total operating expenditure</b>		<b>(62,610)</b>	<b>(61,328)</b>
<b>Surplus on ordinary activities before interest and taxation</b>		<b>1,852</b>	<b>3,358</b>
Interest receivable		26	23
Other finance income relating to pension schemes	20d	1,479	1,627
<b>Surplus on ordinary activities before taxation</b>		<b>3,357</b>	<b>5,008</b>
Taxation	6	3	(1)
<b>Surplus for the financial year</b>		<b>3,360</b>	<b>5,007</b>
<b>Other comprehensive income</b>			
Surplus for the financial year		3,360	5,007
Net gain/(loss) on revaluation of property, plant and equipment		-	-
Net (loss) on revaluation of pension assets and liabilities	20d	(1,195)	(595)
<b>Total comprehensive income/(expenditure)</b>		<b>2,165</b>	<b>4,412</b>

All the organisation's activities are in respect of continuing operations.

The notes on pages 41 to 71 are an integral part of these consolidated financial statements.

# Consolidated statement of financial position

## as at 31 March 2013

	Note	As at 31-Mar-13 £'000      £'000		As at 31-Mar-12 £'000      £'000	
<b>Non-current assets</b>					
Property, plant and equipment	7	892		1,014	
Intangible assets	9	-		2	
Pension asset	20e	1,800		2,000	
<b>Total non-current assets</b>			<b>2,692</b>		<b>3,016</b>
<b>Current assets</b>					
Assets classified as held for sale	11	1,150		2,700	
Inventories		13		16	
Trade and other receivables	12	10,489		12,771	
Cash at bank and in hand	13	20,745		13,976	
<b>Total current assets</b>			<b>32,397</b>		<b>29,463</b>
<b>Total assets</b>			<b>35,089</b>		<b>32,479</b>
<b>Current liabilities</b>					
Trade and other payables	14	(13,444)		(12,666)	
<b>Total current liabilities</b>			<b>(13,444)</b>		<b>(12,666)</b>
<b>Non-current assets plus net current assets</b>			<b>21,645</b>		<b>19,813</b>
<b>Non-current liabilities</b>					
Provisions	15	(234)		(414)	
Pension liability	20e	(216)		(369)	
<b>Total non-current liabilities</b>			<b>(450)</b>		<b>(783)</b>
<b>Net assets</b>			<b>21,195</b>		<b>19,030</b>
<b>Reserves</b>					
Accumulated funds			18,398		16,186
Total pension reserve			1,584		1,631
Revaluation reserve			1,213		1,213
<b>Total reserves</b>			<b>21,195</b>		<b>19,030</b>

The financial statements on pages 28 to 71 were approved by the AHDB Board and signed on its behalf by:

**John Godfrey CBE**  
Chairman

**Tom Taylor**  
Chief Executive and Accounting Officer

11 June 2013

# AHDB statement of financial position

## as at 31 March 2013

	Note	As at 31-Mar-13		As at 31-Mar-12	
		£'000	£'000	£'000	£'000
<b>Non-current assets</b>					
Property, plant and equipment	8	281		377	
Intangible assets	9	-		2	
Investments	10	609		630	
Pension asset	20e	1,800		2,000	
<b>Total non-current assets</b>			2,690		3,009
<b>Current assets</b>					
Assets classified as held for sale	11	1,150		2,700	
Trade and other receivables	12	9,740		11,941	
Cash at bank and in hand	13	19,322		13,344	
<b>Total current assets</b>			30,212		27,985
<b>Total assets</b>			32,902		30,994
<b>Current liabilities</b>					
Trade and other payables	14	(12,354)		(12,448)	
<b>Total current liabilities</b>			(12,354)		(12,448)
<b>Non-current assets plus net current assets</b>			20,548		18,546
<b>Non-current liabilities</b>					
Provisions	15	(234)		(384)	
Pension liability	20e	(216)		(369)	
<b>Total non-current liabilities</b>			(450)		(753)
<b>Net assets</b>			20,098		17,793
<b>Reserves</b>					
Accumulated funds			17,327		14,975
Total pension reserve			1,584		1,631
Revaluation reserve			1,187		1,187
<b>Total reserves</b>			20,098		17,793

The financial statements on pages 28 to 71 were approved by the AHDB Board and signed on its behalf by:

John Godfrey CBE  
Chairman

Tom Taylor  
Chief Executive and Accounting Officer

11 June 2013

## Consolidated statement of movement in reserves

for the year ended 31 March 2013

	Note	Accumulated reserve £'000	Pension reserve £'000	Revaluation reserve £'000	Total reserves £'000
Balance at 1 April 2011		12,586	819	1,213	14,618
Surplus for the year	2b	5,007	-	-	5,007
Pension (loss)	20d	-	(595)	-	(595)
Other comprehensive income		-	(595)	-	(595)
Transfers to pensions reserve		(1,407)	1,407	-	-
Reserves transfers		(1,407)	1,407	-	-
<b>Balance as at 31 March 2012</b>		<b>16,186</b>	<b>1,631</b>	<b>1,213</b>	<b>19,030</b>
Surplus for the year	2a	3,360	-	-	3,360
Pension (loss)	20d	-	(1,195)	-	(1,195)
Other comprehensive income		-	(1,195)	-	(1,195)
Transfers to pensions reserve		(1,148)	1,148	-	-
<b>Balance as at 31 March 2013</b>		<b>18,398</b>	<b>1,584</b>	<b>1,213</b>	<b>21,195</b>

Reserves are allocated to the reporting segments as listed below:

BPEX		2,942	600	1,187	4,729
DairyCo		3,210	-	-	3,210
EBLEX		3,563	1,200	-	4,763
HDC		4,102	-	-	4,102
HGCA		3,169	(216)	-	2,953
Potato Council		1,412	-	26	1,438
<b>Total</b>		<b>18,398</b>	<b>1,584</b>	<b>1,213</b>	<b>21,195</b>

Explanatory notes:

### Pension reserve

All assets and liabilities in relation to the MLC and HGCA Pension Schemes, in accordance with the Pension Scheme Surpluses (Valuation) Regulations 1987, are separately ring-fenced from AHDB's normal operating activities and relate to the red meat (ie EBLEX and BPEX) and HGCA divisions respectively only, having no financial impact on any other division within AHDB.

The consolidated Accumulated reserves of EBLEX and BPEX include a two-thirds and one-third share of the closing reserves of those of MLC SL, the commercial red meat division subsidiary which is wholly-owned by AHDB.

## AHDB statement of movement in reserves

for the year ended 31 March 2013

	Accumulated reserve £'000	Pension reserve £'000	Revaluation reserve £'000	Total reserves £'000
Balance at 1 April 2011	11,165	819	1,187	13,171
Surplus for the year	5,217	-	-	5,217
Pension (loss)	-	(595)	-	(595)
Deficit on revaluation	-	-	-	-
Other comprehensive income	-	(595)	-	(595)
Transfers to pensions reserve	(1,407)	1,407	-	-
Transfers to revaluation reserve	-	-	-	-
Reserves transfers	(1,407)	1,407	-	-
<b>Balance as at 31 March 2012</b>	<b>14,975</b>	<b>1,631</b>	<b>1,187</b>	<b>17,793</b>
Surplus for the year	3,500	-	-	3,500
Pension (loss)	-	(1,195)	-	(1,195)
Deficit on revaluation	-	-	-	-
Other comprehensive income	-	(1,195)	-	(1,195)
Transfers to pensions reserve	(1,148)	1,148	-	-
<b>Balance as at 31 March 2013</b>	<b>17,327</b>	<b>1,584</b>	<b>1,187</b>	<b>20,098</b>

Reserves are allocated to the reporting segments as detailed below:

BPEX	2,174	600	1,187	3,961
DairyCo	3,210	-	-	3,210
EBLEX	3,240	1,200	-	4,440
HDC	4,102	-	-	4,102
HGCA	3,168	(216)	-	2,952
Potato Council	1,433	-	-	1,433
<b>Total</b>	<b>17,327</b>	<b>1,584</b>	<b>1,187</b>	<b>20,098</b>

## Consolidated cash flow statement for the year ended 31 March 2013

	Note	For the year ended 31-Mar-13 £'000	For the year ended 31-Mar-12 £'000
<b>Cash flows from operating activities</b>			
Surplus on ordinary activities before taxation	2a	3,357	5,008
<b>Adjustments for:</b>			
Interest receivable		(26)	(23)
Depreciation and amortisation	7, 9	172	393
Current pension service cost	20d	753	744
Past service cost	20d	19	-
Other finance income	20d	(1,479)	(1,627)
(Surplus)/Deficit on disposal of property, plant and equipment	11	9	(4)
Impairment of property, plant and equipment	7	-	-
(Increase)/decrease in inventories		3	4
(Increase)/decrease in trade and other receivables	12	2,282	(2,580)
Increase/(decrease) in trade and other payables	14	778	597
(Decrease) in provisions	15	(180)	(82)
Tax paid		3	(2)
Defined benefit scheme pension contributions paid	20e	(441)	(524)
<b>Cash flows from operating activities</b>		<b>5,250</b>	<b>1,904</b>
<b>Cash flows from investing activities</b>			
Interest received		26	23
Payments to acquire property, plant and equipment	7	(48)	(19)
Receipts from sale of property, plant and equipment	11	1,541	4
<b>Cash flows from investing activities</b>		<b>1,519</b>	<b>8</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>6,769</b>	<b>1,912</b>
Balance at 1 April		13,976	12,064
Net change in cash and cash equivalents		6,769	1,912
<b>Balance at 31 March</b>	13	<b>20,745</b>	<b>13,976</b>



# AHDB cash flow statement

for the year ended 31 March 2013

	For the year ended 31-Mar-13 £'000	For the year ended 31-Mar-12 £'000
<b>Cash flows from operating activities</b>		
Surplus on ordinary activities before taxation	3,497	5,218
<b>Adjustments for:</b>		
Interest receivable	(24)	(20)
Depreciation and amortisation	167	373
Current pension service cost	753	744
Past service cost	19	-
Other finance income	(1,479)	(1,627)
(Surplus)/Deficit on disposal of property, plant and equipment	9	-
Impairment of property, plant and equipment	-	-
(Increase)/decrease in trade and other receivables	2,201	(2,402)
Increase/(decrease) in trade and other payables	(94)	450
(Decrease) in provisions	(150)	(112)
Tax paid	3	(2)
Defined benefit scheme pension contributions paid	(441)	(524)
<b>Cash flows from operating activities</b>	<b>4,461</b>	<b>2,098</b>
<b>Cash flows from investing activities</b>		
Interest received	24	20
Payments to acquire property, plant and equipment	(48)	(19)
Receipts from sale of property, plant and equipment	1,541	-
<b>Cash flows from investing activities</b>	<b>1,517</b>	<b>1</b>
<b>Increase/(Decrease) in cash</b>	<b>5,978</b>	<b>2,099</b>
Balance at 1 April	13,344	11,245
Net change in cash and cash equivalents	5,978	2,099
<b>Balance at 31 March</b>	<b>19,322</b>	<b>13,344</b>

# Notes to the financial statements

## 1. Principal accounting policies

The accounts are prepared in accordance with the Agriculture and Horticulture Development Board Order 2008 and the accounts direction issued by the Secretary of State for Environment, Food and Rural Affairs. The accounts direction requires compliance with HM Treasury's Financial Reporting Manual (FReM) and any other guidance issued by HM Treasury. The accounting policies contained in the FReM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector.

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 NDPB for the purpose of giving a true and fair view has been selected. The particular policies adopted by the NDPB are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

Amendments to the FReM currently known, issued and to be implemented in future years, have been considered and are not expected to impact on AHDB's financial statements for the year ended 31 March 2013. A revised IAS19 (Employee Benefits) has been issued, being applicable to accounting periods beginning on or after 1 January 2013, and will affect AHDB's reporting of its defined benefit pension schemes in its accounts for the year ending 31 March 2014.

### Going concern

These accounts have been prepared on a going concern basis. AHDB's management has no reason to question its going concern status and does not anticipate that position will change in the next year as a result of the cabinet office reviewing the status of all Non-Departmental Public Bodies. Following the Government's Arms Length Bodies Review and the debate with industry as to AHDB's future status in March 2011, the organisation received confirmation from the Cabinet Office that AHDB has moved from 'under review' to 'retained' status until the next review in 2014.

### Accounting convention

The consolidated accounts have been prepared on a going concern basis, under the historical cost convention, modified to account for the revaluation of tangible fixed assets in line with IAS 16 'Property, plant and equipment'. Recommendations for the future of AHDB as agreed by the Minister of State for Agriculture and Food were published in June 2011. These aim to further develop AHDB as the main professional body on farming and agriculture.

### Consolidation

The consolidated financial statements incorporate the financial statements of AHDB and its subsidiaries. Where necessary, adjustments are made to bring the accounting policies under UK generally accepted accounting principles (UK GAAP) as used in the individual financial statements of the subsidiaries, into line with those used by AHDB in its consolidated financial statements. In accordance with IFRS, inter-company transactions are eliminated. There is further information regarding the consolidation and investments of the group in Note 10.

### Segmental Reporting

In addition to presenting the consolidated financial results and financial position in the financial statements, a breakdown of those results and balances by business segment is provided in line with IFRS 8, 'Segmental Reporting'. The presentation of segmental information is based on management responsibilities that existed at 31 March 2013 and the external and regulatory environments in which AHDB operates. The business segments are BPEX, DairyCo, EBLEX, HDC, HGCA and PCL. The segmental reporting disclosures can be found in Note 2.

### Research and development expenditure

Research and development expenditure is charged as it is incurred, on an accruals basis and is not capitalised in the statement of financial position. The terms of the statutory instrument which established AHDB prevent AHDB from restricting access of other parties to future benefits of the research activities it undertakes. As a result, the research and development expenditure does not meet the requirements for capitalisation under IAS 38 'Intangible Assets'.

### Leases

Operating lease rentals are charged to the income and expenditure account in equal annual instalments over the lease term.

AHDB does not operate any finance leases

# Notes to the financial statements

## 1. Principal accounting policies (continued)

### Property, plant and equipment

Property, plant and equipment include assets purchased directly by AHDB and assets for which the legal title transferred to AHDB under the Agriculture and Horticulture Development Board Order 2008.

Expenditure on property, plant and equipment of £1,000 is capitalised when it is probable that the asset will generate future economic benefits. On initial recognition, assets are valued at cost and any costs attributable to bringing them into working condition. All property, plant and equipment are reviewed annually for impairment and are carried at fair value. Land and buildings are stated at their fair value based on a periodic professional valuation. All non-property assets are deemed to be short-life or low value assets and are valued on the basis of depreciated replacement cost as an approximation of fair value. Assets held for resale by way of freehold property, have been valued in the consolidated accounts under IFRS 5, at the lower of carrying value and estimated net realisable value.

Depreciation is calculated so as to write off the cost or valuation of fixed assets, less their estimated residual values, on a straight-line basis over the expected useful lives of the assets as follows:

- Freehold buildings: 10 to 50 years
- Leasehold buildings: Life of lease
- Plant and machinery: 3 to 10 years
- Fixtures and fittings: 1 to 10 years
- Motor vehicles: 2.5 to 5 years
- IT – Computer hardware and software: 1 to 5 years.

Freehold land is not depreciated.

Intangible assets are amortised over their expected useful lives: 1 to 5 years.

### Inventories

Inventories are valued at current cost. Cost comprises the cost of direct materials and those costs that have been incurred in bringing the inventories to their present condition.

### Trade receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. A provision for impairment of trade receivables is established when there is observable evidence that AHDB will not be able to collect all amounts due according to the original terms. The main factor considered is the financial status of the debtor with regard to the likelihood of their having sufficient resources to make payments that become due.

### Provisions

A provision is recognised where there is a legal or constructive obligation arising from past events and it is probable that an outflow of economic benefits will be required to settle the obligation.

### Foreign exchange

Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the balance sheet date. Transactions in foreign currencies are translated at the rate ruling at the date of the transaction.

All foreign exchange differences are taken to the statement of comprehensive income in the year in which they arise.

### Financial instruments

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

# Notes to the financial statements

## 1. Principal accounting policies (continued)

### Pensions

AHDB operates both defined benefit and defined contribution schemes for the benefit of employees.

#### a) Defined benefit schemes

For defined benefit retirement schemes, the cost of providing benefits is determined using the projected unit method, with actuarial valuations being carried out at each reporting date. Current service cost is recognised in operating costs in the period in which the defined benefit obligation increases as a result of employee services. Actuarial gains and losses are recognised in full in the period in which they occur in other comprehensive income. The actuarial valuations are obtained at least triennially and are updated at each reporting date. The resulting defined benefit asset and liability are shown gross in the notes to the financial statements.

Past service costs are recognised immediately to the extent that benefits are already vested. Otherwise, such costs are amortised on a straight-line basis over the period until the benefits vest.

Settlements are recognised when a transaction is entered into that eliminates all further legal or constructive obligations for benefits under a scheme.

Curtailments are recognised when a commitment is made to a material reduction in the number of employees covered by a scheme.

The retirement benefit obligations recognised in the statement of financial position represent the present value of the defined benefit obligations, as reduced by the fair value of scheme assets and any unrecognised past service cost.

The expected return on scheme assets and the unwinding of the discount on defined benefit obligations are recognised within interest income and expense respectively.

More detailed information can be found in note 20 to the accounts.

#### b) Defined contribution schemes

The amounts charged as expenditure for the defined contribution scheme represent the contributions payable by AHDB for the accounting period in respect of these schemes.

# Notes to the financial statements

## 1. Principal accounting policies (continued)

### Levy income

AHDB raises a statutory levy from the meat and livestock (cattle, sheep and pigs) sector in England; commercial horticulture, milk and potato sectors in Great Britain and cereals and oilseeds sector in the UK. Levy income is based on the latest available estimates of sector-specific levy quantities, as billable within the provisions of Schedule 3 of the AHDB Order 2008.

The value of levies recognised in the financial statements is a combination of actual levies invoiced during the year and an accrual for any non-invoiced levy income for the same period.

#### a) Red meat levies (deployed by BPEX and EBLEX)

Red meat levies consist of two parts: the producer levy and the slaughterer/exporter levy. The producer element is collected and held on trust for AHDB by slaughterers and exporters who pay the levy direct to AHDB. Levy is calculated on the number of animals slaughtered or exported and these details are notified to AHDB through the completion of regular returns. Upon receipt of the return, AHDB calculates the levy due and issues an invoice for payment.

#### b) Milk levies (deployed by DairyCo)

A person who buys milk from a producer pays a levy to AHDB which the buyer deducts from the price paid to the producer. Levy is also payable by those producers who sell their milk direct to the public from their holding, as defined in the Order. Milk levy is based on volume. Milk buyers notify AHDB at the end of every month the amount of milk bought in that month. Direct sellers of milk are required by 14 May each year to notify AHDB of the amount of milk produced on that holding for the previous year ending 1 April. The levy due from both buyers and direct sellers is payable on invoice.

#### c) Horticulture levies (deployed by HDC)

Levy is payable on vegetables grown in the open (except potatoes where there are separate arrangements), fruit, flowers and bulbs, hardy and nursery stock, protected crops and herbs. There is a threshold above which levy becomes payable, such that if a horticultural grower's adjusted sales figure, made during the accounting year of the grower that ended in any year ending 31 March, is £60,000 or more, levy will be due. With the exception of mushrooms, the levy is calculated as a percentage of the adjusted sales figure. Levy due is payable on invoice. Any person liable to pay horticultural levy completes the appropriate form and returns it to AHDB on or by, 30 June each year. The basis of levy on mushrooms is based on litres of mushroom spawn or compost containing mushroom spawn used or sold. Levy becomes due if, in any year ending 31 March, a person buys more than 700 litres of mushroom spawn or compost containing mushroom spawn. The levy is payable on invoice.

#### d) Cereals and oilseeds levies (deployed by HGCA)

The cereal levy is based on weight and has two elements, a grower levy and a buyer levy. A buyer of cereals must deduct the grower levy element from the price paid and hold it on trust for AHDB. Five per cent of the combined grower and buyer levy is then taken as commission by the buyer and the remainder paid to AHDB. For oilseeds, there is only a grower levy and so a buyer must deduct all the levy from the price paid to the grower and hold it on trust, which must then be paid to AHDB.

Levy is also payable on cereals that are processed, with differential rates applying dependent on whether the cereals are processed into feeding stuffs or non-feeding stuffs. Any person who is liable to pay levy has 28 days from the dates specified in the legislation to submit a return for cereal and oilseed to AHDB. Payment of the levy to AHDB is then required within 21 days from the end of the 28 day return period.

Cereal grower, buyer and processor levies are invoiced quarterly in arrears and oilseed grower levy bi-annually in arrears. At the year end, an estimate is made for levy income relating to the period 1 January to 31 March and is accounted for as accrued income. This is derived using the latest market intelligence and analysis of historical trends.

#### e) Potato levies (deployed by Potato Council)

Potato buyers as well as potato growers are required to pay levy. The levy on potato growers is based on area planted, with a minimum threshold at which levy becomes payable of three hectares. Buyers of potatoes are levied on weight, with a minimum threshold at which levy becomes payable of 1,000 tonnes bought in any year ending 30 June. Each year, growers must submit a return by 1 June giving details of the area planted, or intended to be planted that calendar year and the identity of the fields planted. The levy due is paid to AHDB by 1 December following. Buyers liable to pay levy submit monthly returns to AHDB by the 28th day of each month giving the tonnage bought in the previous month. Levy is payable on invoice.

## Notes to the financial statements

### 2a. Analysis of income and expenditure by segment: actual for the year ended 31 March 2013

Accounting standards require entities to report their performance by segment, which AHDB complies with by analysing its income and expenditure by its six sectors.

	BPEX division £'000	DairyCo division £'000	EBLEX division £'000	HDC division £'000	HGCA division £'000	Potato Council division £'000	AHDB Group total £'000
<b>Income</b>							
Gross levy	8,555	6,611	15,154	6,772	11,953	6,016	55,061
<i>Non-levy sources:</i>							
Fee and grant income	596	502	1,453	449	298	1,300	4,598
Commercial services income	1,601	-	3,202	-	-	-	4,803
<i>Sub-total non-levy sources</i>	2,197	502	4,655	449	298	1,300	9,401
<b>Total income</b>	<b>10,752</b>	<b>7,113</b>	<b>19,809</b>	<b>7,221</b>	<b>12,251</b>	<b>7,316</b>	<b>64,462</b>
<b>Operating expenditure</b>							
Levy collection	(149)	(45)	(238)	(84)	(494)	(290)	(1,300)
<i>Core strategic activities:</i>							
Research and development and knowledge transfer	(2,921)	(4,491)	(2,672)	(4,257)	(5,020)	(2,773)	(22,134)
Promotion	(3,181)	(244)	(9,075)	-	(559)	(1,726)	(14,785)
International	(381)	-	(327)	-	(294)	(91)	(1,093)
Supply chain integration	(282)	-	(830)	-	(514)	(239)	(1,865)
Market intelligence	(585)	(1,105)	(1,202)	(27)	(611)	(465)	(3,995)
Communications	(456)	(1,053)	(515)	(1,060)	(1,397)	(574)	(5,055)
Support	(1,180)	(1,248)	(1,639)	(757)	(1,630)	(947)	(7,401)
Commercial services	(1,403)	-	(2,807)	-	-	-	(4,210)
<i>Sub-total core strategic activities:</i>	(10,389)	(8,141)	(19,067)	(6,101)	(10,025)	(6,815)	(60,538)
Current pension service cost	(233)	-	(467)	-	(53)	-	(753)
Past pension service cost	-	-	-	-	(19)	-	(19)
<b>Total operating expenditure</b>	<b>(10,771)</b>	<b>(8,186)</b>	<b>(19,772)</b>	<b>(6,185)</b>	<b>(10,591)</b>	<b>(7,105)</b>	<b>(62,610)</b>

## Notes to the financial statements

### 2a. Analysis of income and expenditure by segment: actual for the year ended 31 March 2013 (continued)

	BPEX division £'000	DairyCo division £'000	EBLEX division £'000	HDC division £'000	HGCA division £'000	Potato Council division £'000	AHDB Group total £'000
<b>Surplus on ordinary activities before interest and taxation</b>	(19)	(1,073)	37	1,036	1,660	211	1,852
Interest receivable	5	5	5	6	4	1	26
Other finance income	433	-	867	-	179	-	1,479
<b>Surplus on ordinary activities before taxation</b>	419	(1,068)	909	1,042	1,843	212	3,357
Taxation	-	1	-	1	-	1	3
<b>Surplus for the financial year</b>	<b>419</b>	<b>(1,067)</b>	<b>909</b>	<b>1,043</b>	<b>1,843</b>	<b>213</b>	<b>3,360</b>

#### AHDB parent figures

AHDB does not produce a separate parent statement of comprehensive income. Its results are included in the group results above, consolidated with its subsidiaries as detailed in Note 10.

#### Assets and liabilities

Assets and liabilities are not separately reported by division.

#### Commercial trading subsidiary

The income and expenditure of the trading subsidiary, MLC SL, is included above in the BPEX and EBLEX results as Commercial Services income and expenditure.

## Notes to the financial statements

### 2b. Analysis of income and expenditure by segment: actual for the year ended 31 March 2012

	BPEX division £'000	DairyCo division £'000	EBLEX division £'000	HDC division £'000	HGCA division £'000	Potato Council division £'000	AHDB Corporate centre £'000	AHDB Group total £'000
<b>Income</b>								
Gross levy	8,235	6,925	15,665	6,444	11,918	6,160	-	55,347
<i>Non-levy sources:</i>								
Fee and grant income	1,231	339	1,692	308	198	958	101	4,827
Commercial services income	1,504	-	3,008	-	-	-	-	4,512
<i>Sub-total non-levy sources</i>	2,735	339	4,700	308	198	958	101	9,339
<b>Total income</b>	<b>10,970</b>	<b>7,264</b>	<b>20,365</b>	<b>6,752</b>	<b>12,116</b>	<b>7,118</b>	<b>101</b>	<b>64,686</b>
<b>Operating expenditure</b>								
Levy collection	(147)	(49)	(273)	(57)	(487)	(64)		(1,077)
<i>Core strategic activities:</i>								
Research and development and knowledge transfer	(2,590)	(4,215)	(2,237)	(4,143)	(4,203)	(3,130)		(20,518)
Promotion	(3,330)	(386)	(8,641)	-	(583)	(1,726)	-	(14,666)
International	(320)	-	(276)	-	(294)	(105)	-	(995)
Supply chain integration	(305)	-	(1,031)	-	(464)	(198)	-	(1,998)
Market intelligence	(595)	(993)	(979)	(20)	(545)	(440)	-	(3,572)
Communications	(416)	(879)	(619)	(967)	(1,239)	(73)	-	(4,193)
Support	(1,346)	(1,349)	(1,952)	(815)	(1,786)	(1,297)	(101)	(8,646)
Commercial services	(1,640)	-	(3,279)	-	-	-	-	(4,919)
<i>Sub-total core strategic activities:</i>	(10,542)	(7,822)	(19,014)	(5,945)	(9,114)	(6,969)	(101)	(59,507)
Current pension service cost	(231)	-	(469)	-	(44)	-	-	(744)
Past pension service cost	-	-	-	-	-	-	-	-
<b>Total operating expenditure</b>	<b>(10,920)</b>	<b>(7,871)</b>	<b>(19,756)</b>	<b>(6,002)</b>	<b>(9,645)</b>	<b>(7,033)</b>	<b>(101)</b>	<b>(61,328)</b>



## Notes to the financial statements

### 2b. Analysis of income and expenditure by segment: actual for the year ended 31 March 2012 (continued)

	BPEX division £'000	DairyCo division £'000	EBLEX division £'000	HDC division £'000	HGCA division £'000	Potato Council division £'000	AHDB Corporate centre £'000	AHDB Group total £'000
<b>Surplus on ordinary activities before interest and taxation</b>	50	(607)	609	750	2,471	85	0	3,358
Interest receivable	6	9	3	-	4	1	-	23
Other finance expenditure	500	-	1,000	-	127	-	-	1,627
<b>Surplus on ordinary activities before taxation</b>	556	(598)	1,612	750	2,602	86	0	5,008
Taxation	-	-	-	-	-	(1)	-	(1)
<b>Surplus for the financial year</b>	556	(598)	1,612	750	2,602	85	0	5,007

#### AHDB parent figures

AHDB does not produce a separate parent statement of comprehensive income. Its results are included in the group results above, consolidated with its subsidiaries as detailed in Note 10.

Transactions allocated to the AHDB corporate centre in 2011/12 related to residual transaction costs. This sector is no longer reported separately to the AHDB Board as all central costs are allocated to the other divisions.

#### Assets and liabilities

Assets and liabilities are not separately reported by division.

# Notes to the financial statements

## 3. Staff numbers and related costs

	For the year ended 31 March 2013			For the year ended 31 March 2012		
	Staff with a permanent (UK) employment contract	Other staff engaged on the objectives of AHDB	Total staff	Staff with a permanent (UK) employment contract	Other staff engaged on the objectives of AHDB	Total staff
<b>Numbers employed</b>						
The average full-time equivalent numbers employed by AHDB during the year were:						
<b>Commercial activities</b>						
Commercial services (see note below)	123	2	125	119	-	119
<b>Levy-dependent activities</b>						
Research and development and knowledge transfer	134	2	136	120	1	121
Promotion	33	-	33	32	1	33
International	14	-	14	15	-	15
Supply chain integration	5	-	5	5	-	5
Market intelligence	46	1	47	41	1	42
Communications	42	-	42	38	-	38
Support	76	3	79	72	5	77
<b>Total levy-dependent activities</b>	<b>350</b>	<b>6</b>	<b>356</b>	<b>323</b>	<b>8</b>	<b>331</b>
<b>Total</b>	<b>473</b>	<b>8</b>	<b>481</b>	<b>442</b>	<b>8</b>	<b>450</b>
<b>Staff costs</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Salaries	16,524	103	16,627	15,510	246	15,756
Social security costs	1,707	-	1,707	1,573	-	1,573
Defined benefit scheme current service costs (Note 20d)	753	-	753	744	-	744
Defined benefit scheme past service costs (Note 20d)	19	-	19	-	-	-
Defined contribution scheme costs	768	-	768	684	-	684
<b>Total staff costs</b>	<b>19,771</b>	<b>103</b>	<b>19,874</b>	<b>18,511</b>	<b>246</b>	<b>18,757</b>

Note: Staff numbers for the year ended 31 March 2012 have been reanalysed for comparability purposes.

## Notes to the financial statements

### 4. Compensation and exit packages agreed for the year to 31 March 2013

	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
Exit package cost band	<b>For the year ended 31-Mar-13</b>	For the year ended 31-Mar-12	<b>For the year ended 31-Mar-13</b>	For the year ended 31-Mar-12	<b>For the year ended 31-Mar-13</b>	For the year ended 31-Mar-12
< £10,000	<b>4</b>	4	-	-	<b>4</b>	4
£10,000 - £25,000	-	-	-	1	-	1
£25,000 - £50,000	<b>1</b>	-	-	1	<b>1</b>	1
£50,000 - £75,000	-	-	-	1	-	1
£75,000 - £150,000	<b>1</b>	-	-	-	<b>1</b>	-
Total number of exit packages	<b>6</b>	4	-	3	<b>6</b>	7
<b>Total cost</b>	<b>£161,004</b>	£10,565	<b>£0</b>	£107,334	<b>£161,004</b>	£117,899

Any exit packages were in accordance with relevant pension scheme rules.

None of the exit packages agreed in the year related to senior executives.

## Notes to the financial statements

### 5. Income and expenditure on ordinary activities before interest and taxation

	For the year ended 31-Mar-13 £'000	For the year ended 31-Mar-12 £'000
<b>Surplus/(deficit) on ordinary activities before interest and taxation is stated after charging/(crediting)</b>		
Rentals under operating leases:		
- Leasehold property rents	437	457
- Vehicle leases	620	462
- Hire of equipment	162	260
Research and development and knowledge transfer expenditure	22,134	20,518
Exchange (gains)/losses	-	10
<b>Non-cash items:</b>		
Depreciation and amortisation	172	393
Profit / (Loss) on disposal of property, plant and equipment	(9)	4
Impairment of receivables	(15)	672
Provision provided for in year	-	30
Auditors remuneration and expenses	115	126
Other expenditure	19,120	19,639
<b>Total Other Costs</b>	<b>42,736</b>	<b>42,571</b>

# Notes to the financial statements

## 6. Taxation

	For the year ended 31-Mar-13 £'000	For the year ended 31-Mar-12 £'000
<b>Current tax</b>		
UK corporation tax on commercial profits for the period	-	-
UK corporation tax on interest income for the period	6	6
Under-provision in respect of prior years	-	-
Over-provision in respect of prior years	(9)	(5)
Current tax charge/(credit) for the year	(3)	1
<b>Allocated to accumulated funds</b>		
BPEX division fund	-	-
DairyCo division fund	(1)	-
EBLEX division fund	-	-
HDC division fund	(1)	-
HGCA division fund	-	-
Potato Council division fund	(1)	1
Current tax charge/(credit) for the year	(3)	1

The tax on commercial profits assessed for the year differs from the standard rate of corporation tax in the UK of 24% (2012: 26%). The differences are explained below:

	For the year ended 31-Mar-13 £'000	For the year ended 31-Mar-12 £'000
Surplus on ordinary activities before taxation	3,374	5,008
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 24% (2012: 26%)	810	1,302
<b>Effects of:</b>		
Income not chargeable for taxation purposes	14,318	15,645
Expenditure not deductible for taxation purposes	(13,508)	(14,343)
Standard UK corporation tax 24% (2012: 26%) on interest receivable	6	6
Under-provision in respect of prior years	-	-
Over-provision in respect of prior years	(9)	(5)
Current tax charge/(credit) for the year	(3)	1

# Notes to the financial statements

## 7. Property, plant and equipment

Group	Land £'000	Buildings £'000	Leasehold property £'000	IT equipment £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
<b>Cost or valuation</b>								
As at 1 April 2011	140	510	311	1,751	1,071	750	150	4,683
Additions	-	-	-	12	-	7	-	19
Disposals	-	-	-	-	-	-	(18)	(18)
<b>As at 31 March 2012</b>	<b>140</b>	<b>510</b>	<b>311</b>	<b>1,763</b>	<b>1,071</b>	<b>757</b>	<b>132</b>	<b>4,684</b>
As at 1 April 2012	140	510	311	1,763	1,071	757	132	4,684
Additions	-	-	-	2	12	30	4	48
Disposals	-	-	-	-	-	-	-	-
<b>As at 31 March 2013</b>	<b>140</b>	<b>510</b>	<b>311</b>	<b>1,765</b>	<b>1,083</b>	<b>787</b>	<b>136</b>	<b>4,732</b>
<b>Depreciation</b>								
As at 1 April 2011	-	-	(275)	(1,384)	(1,009)	(502)	(142)	(3,312)
Charge for year	-	(20)	(26)	(262)	(25)	(35)	(8)	(376)
Relating to disposals	-	-	-	-	-	-	18	18
<b>As at 31 March 2012</b>	<b>-</b>	<b>(20)</b>	<b>(301)</b>	<b>(1,646)</b>	<b>(1,034)</b>	<b>(537)</b>	<b>(132)</b>	<b>(3,670)</b>
As at 1 April 2012	-	(20)	(301)	(1,646)	(1,034)	(537)	(132)	(3,670)
Charge for year	-	(21)	(10)	(83)	(15)	(40)	(1)	(170)
Relating to disposals	-	-	-	-	-	-	-	-
<b>As at 31 March 2013</b>	<b>-</b>	<b>(41)</b>	<b>(311)</b>	<b>(1,729)</b>	<b>(1,049)</b>	<b>(577)</b>	<b>(133)</b>	<b>(3,840)</b>
<b>Net book value as at 31 March 2013</b>	<b>140</b>	<b>469</b>	<b>-</b>	<b>36</b>	<b>34</b>	<b>210</b>	<b>3</b>	<b>892</b>
Net book value as at 31 March 2012	140	490	10	117	37	220	-	1,014

Freehold property at Sutton Bridge was valued at 31 March 2011 at open market valuation for existing use, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors in the United Kingdom by Bidwells, Chartered Surveyors. The valuation was £650k which has been depreciated to allow for wear and tear since the valuation date.

# Notes to the financial statements

## 8. Property, plant and equipment

	Land £'000	Buildings £'000	Leasehold property £'000	IT equipment £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
<b>Cost or valuation</b>								
As at 1 April 2011	-	-	311	1,737	221	750	152	3,171
Additions	-	-	-	12	-	7	-	19
<b>As at 31 March 2012</b>	<b>-</b>	<b>-</b>	<b>311</b>	<b>1,749</b>	<b>221</b>	<b>757</b>	<b>152</b>	<b>3,190</b>
As at 1 April 2012	-	-	311	1,749	221	757	152	3,190
Additions	-	-	-	2	12	30	4	48
<b>As at 31 March 2013</b>	<b>-</b>	<b>-</b>	<b>311</b>	<b>1,751</b>	<b>233</b>	<b>787</b>	<b>156</b>	<b>3,238</b>
<b>Depreciation</b>								
As at 1 April 2011	-	-	(275)	(1,380)	(158)	(502)	(142)	(2,457)
Charge for year	-	-	(26)	(262)	(25)	(34)	(9)	(356)
<b>As at 31 March 2012</b>	<b>-</b>	<b>-</b>	<b>(301)</b>	<b>(1,642)</b>	<b>(183)</b>	<b>(536)</b>	<b>(151)</b>	<b>(2,813)</b>
As at 1 April 2012	-	-	(301)	(1,642)	(183)	(536)	(151)	(2,813)
Charge for year	-	-	(10)	(75)	(16)	(41)	(2)	(144)
<b>As at 31 March 2013</b>	<b>-</b>	<b>-</b>	<b>(311)</b>	<b>(1,717)</b>	<b>(199)</b>	<b>(577)</b>	<b>(153)</b>	<b>(2,957)</b>
<b>Net book value as at 31 March 2013</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>34</b>	<b>34</b>	<b>210</b>	<b>3</b>	<b>281</b>
Net book value as at 31 March 2012	-	-	10	107	38	221	1	377

## Notes to the financial statements

### 9. Intangible Assets

Group and AHDB	Software licences £'000
<b>Cost or valuation</b>	
As at 1 April 2011	287
As at 31 March 2012	287
As at 1 April 2012	287
Additions	-
<b>As at 31 March 2013</b>	<b>287</b>
<b>Amortisation</b>	
As at 1 April 2011	(268)
Charge for year	(17)
As at 31 March 2012	(285)
As at 1 April 2012	(285)
Charge for year	(2)
<b>As at 31 March 2013</b>	<b>(287)</b>
<b>Net book value as at 31 March 2013</b>	<b>-</b>
Net book value as at 31 March 2012	2



# Notes to the financial statements

## 10. Investments

### Sutton Bridge Experimental Unit Limited

Sutton Bridge Experimental Unit Limited (SBEU) is a company limited by shares, with AHDB holding 808,000 £1 nominal value ordinary shares representing 100% of the issued share capital of the company. SBEU owns the freehold land and buildings interest in the potato industry's research and development facility, Sutton Bridge Experimental Unit, which is based in Spalding. SBEU's financial results for the years have been consolidated as part of the financial results for the Potato Council division in the analysis of income and expenditure by segment in Note 2. Its balance sheet forms a part of the AHDB Group consolidated statement of financial position. SBEU had a loss of £20k for the year ended 31 March 2013 (2012: £20k). This related to depreciation charged on buildings. Its net assets were £609k as at 31 March 2013 (31 March 2012: £630k). The property was last professionally revalued, at £650k, as at 31 March 2011, based on its existing use.

	<b>Group For the year ended 31-Mar-13 £'000</b>	<b>AHDB For the year ended 31-Mar-13 £'000</b>	<b>Group For the year ended 31-Mar-12 £'000</b>	<b>AHDB For the year ended 31-Mar-12 £'000</b>
AHDB investment in SBEU	-	609	-	630

### Other subsidiary undertakings

#### Meat & Livestock Commercial Services Limited

Meat & Livestock Commercial Services Limited (MLCSL) is a company limited by guarantee, with AHDB acting as the sole guarantor. The extent of AHDB's investment is the guarantee of £6 in the event of MLCSL being wound up. MLCSL provides data, advice, logistics and inspection services to the red meat industry and is based in Stoneleigh. MLCSL's financial results for the years have been consolidated as part of the financial results for the EBLEX and BPEX divisions respectively in the analysis of income and expenditure by segment in Note 2 and its assets and liabilities form a part of the statement of financial position. MLCSL had a retained deficit of £121k for the year ended 31 March 2013 (2012: deficit £228k) and its net assets were £1.09 million as at 31 March 2013 (31 March 2012: £1.21 million).

This subsidiary undertaking is registered in England and Wales.

## Notes to the financial statements

### 11. Assets classified as held for resale

	<b>Group As at 31-Mar-13 £'000</b>	<b>AHDB As at 31-Mar-13 £'000</b>	<b>Group As at 31-Mar-12 £'000</b>	<b>AHDB As at 31-Mar-12 £'000</b>
Assets classified as held for resale	<b>1,150</b>	<b>1,150</b>	2,700	2,700

These are Freehold Properties held for resale and are actively being marketed. They have been valued at the lower of carrying value and net realisable value. Carrying values were established by open market valuation as at 31 March 2011 based on current use and market conditions. It is anticipated that the property will realise more than carrying value when disposed of.

The premises consist of the following:

Stotfold, Hertfordshire: Former pig development unit, single-storey laboratory and office accommodation, with pig breeding and development unit, barns and yard, plus five residential properties. The site extends to 5.828ha (14.40 acres). Previously occupied and operated by BPEX.

During the year the premises based at Milton Keynes, Winterhill House, previously occupied by the Meat and Livestock Commission (now represented in AHDB by its BPEX and EBLEX divisions), were sold for £1.54 million, net of selling costs.

All roles previously carried out at these locations have been transferred to AHDB in Stoneleigh.

There is no potential liability for deferred tax arising from the revaluation of these properties, nor from chargeable gains which have been rolled over against the original cost of these properties.

# Notes to the financial statements

## 12. Trade and other receivables

	Group As at 31-Mar-13 £'000	AHDB As at 31-Mar-13 £'000	Group As at 31-Mar-12 £'000	AHDB As at 31-Mar-12 £'000
<b>Amounts falling due within one year</b>				
Levy income receivable	2,974	2,974	4,710	4,705
Receivables for fee and other income	1,794	1,091	2,990	2,139
Provision for bad and doubtful debts	(402)	(402)	(623)	(586)
Prepayments and accrued income	5,893	5,847	5,528	5,517
Department for Environment, Food and Rural Affairs	117	117	41	41
Other Defra bodies	113	113	125	125
<b>Total amounts falling due within one year</b>	<b>10,489</b>	<b>9,740</b>	<b>12,771</b>	<b>11,941</b>
<b>Intra-government balances</b>				
Balances with central government bodies	230	230	149	149
Balances with public corporations and trading funds	-	-	17	17
Sub-total: Intra-government balances	230	230	166	166
Balances with bodies external to government	10,259	9,510	12,605	11,775
<b>Total amounts falling due within one year</b>	<b>10,489</b>	<b>9,740</b>	<b>12,771</b>	<b>11,941</b>

	Group As at 31-Mar-13 £'000	AHDB As at 31-Mar-13 £'000	Group As at 31-Mar-12 £'000	AHDB As at 31-Mar-12 £'000
<b>Receivables past due</b>				
Up to 3 months past due	1,024	857	2,621	2,281
3 to 6 months past due	29	32	329	323
Over 6 months past due	735	625	423	408
	<b>1,788</b>	<b>1,514</b>	<b>3,373</b>	<b>3,012</b>

## 13. Cash and cash equivalents

	Group As at 31-Mar-13 £'000	AHDB As at 31-Mar-13 £'000	Group As at 31-Mar-12 £'000	AHDB As at 31-Mar-12 £'000
Balance at 1 April	13,976	13,344	12,064	11,245
Net change in cash and cash equivalents	6,769	5,978	1,912	2,099
<b>Balance at 31 March 2013</b>	<b>20,745</b>	<b>19,322</b>	<b>13,976</b>	<b>13,344</b>
Balances at 31 March were:				
Short term investment	8,000	8,000	7,000	7,000
Commercial banks and cash in hand	12,745	11,322	6,976	6,344
<b>Balance at 31 March 2013</b>	<b>20,745</b>	<b>19,322</b>	<b>13,976</b>	<b>13,344</b>

The short-term investment represents funds of £5 million placed on 12 months deposit to 9 October 2013 and £3 million on 6 months deposit to 9 April 2013.

# Notes to the financial statements

## 14. Trade and other payables

	Group As at 31-Mar-13 £'000	AHDB As at 31-Mar-13 £'000	Group As at 31-Mar-12 £'000	AHDB As at 31-Mar-12 £'000
<b>Amounts falling due within one year</b>				
Trade payables	2,707	2,671	2,150	2,105
Accruals and deferred income	6,725	6,595	6,455	6,366
Other payables	444	410	439	439
Corporation tax	-	-	27	29
VAT	719	521	908	908
Other taxation and social security	505	427	487	401
Amounts owed to subsidiary undertakings	-	(414)	-	-
Defra underwrite for redundancy*	2,042	1,842	2,038	2,038
Pig industry development fund scheme	75	75	75	75
Other Defra Bodies	227	227	87	87
<b>Total amounts falling due within one year</b>	<b>13,444</b>	<b>12,354</b>	<b>12,666</b>	<b>12,448</b>
<b>Intra-government balances</b>				
Balances with central government bodies	3,493	3,017	3,547	3,463
Balances with bodies external to government	9,951	9,337	9,119	8,985
<b>Total amounts falling due within one year</b>	<b>13,444</b>	<b>12,354</b>	<b>12,666</b>	<b>12,448</b>

\*The Defra underwrite for redundancy was set up to underwrite potential future redundancy costs and is held as part of AHDB's own cash resources, although it is completely ring-fenced in a separate bank account. All interest earned on the Defra fund is credited against the redundancy underwrite fund and not taken to the income and expenditure account, as we are deemed to hold the funds on trust for Defra. As the interest is simply reinvested and put to no further use, it is deemed not to be subject to UK corporation tax.

These monies were originally transferred to MLC during the 1994/95 financial year. On 1 April 2008, the Defra fund was transferred from MLC to AHDB in accordance with the Statutory Instrument that created AHDB. The potential liability remaining in relation to the fund as at 31 March 2013 was £200k and the balance of £1.8 million is to be repatriated to Defra in 2013.

## Notes to the financial statements

### 15. Provisions for liabilities and charges

<b>Group</b>	<b>Dilapidations provision £'000</b>	<b>Onerous lease provision £'000</b>	<b>Redundancy and exit provision £'000</b>	<b>Total provisions £'000</b>
As at 1 April 2011	200	296	-	496
New provision	-	-	30	30
Utilisation of provision	-	(112)	-	(112)
<b>As at 31 March 2012</b>	<b>200</b>	<b>184</b>	<b>30</b>	<b>414</b>
As at 1 April 2012	200	184	30	414
New provisions	-	-	-	-
Utilisation of provision	-	(150)	(30)	(180)
<b>As at 31 March 2013</b>	<b>200</b>	<b>34</b>	<b>-</b>	<b>234</b>

<b>AHDB</b>	<b>Dilapidations provision £'000</b>	<b>Onerous lease provision £'000</b>	<b>Redundancy and exit provision £'000</b>	<b>Total provisions £'000</b>
As at 1 April 2011	200	296	-	496
Utilisation of provision	-	(112)	-	(112)
<b>As at 31 March 2012</b>	<b>200</b>	<b>184</b>	<b>-</b>	<b>384</b>
As at 1 April 2012	200	184	-	384
New provisions	-	-	-	-
Utilisation of provision	-	(150)	-	(150)
<b>As at 31 March 2013</b>	<b>200</b>	<b>34</b>	<b>-</b>	<b>234</b>

### Analysis of expected timing of cash flows

Cash flows relating to the above provisions are all expected to be incurred not later than one year from 31 March 2013.

#### Explanation of provisions as at 31 March 2013

##### **Dilapidations**

Relates to the cost of dilapidations for the ex-British Potato Council property lease in Oxford, which expires in December 2013.

##### **Onerous lease**

Relates to the ongoing costs of the ex-British Potato Council leased property in Oxford. Provision has been utilised for lease charges, rates and other service-related charges less the income received from the subtenant.

##### **Redundancy**

Relates to the cost of exit payments in Meat & Livestock Commercial Services Ltd.

# Notes to the financial statements

## 16. Financial commitments

	Group As at 31-Mar-13 £'000	AHDB As at 31-Mar-13 £'000	Group As at 31-Mar-12 £'000	AHDB As at 31-Mar-12 £'000
<b>Capital expenditure commitments</b>				
Contracted for	50	50	-	-
<b>Approved research projects</b>				
Within one year	9,850	9,850	8,567	8,567
Thereafter	13,100	13,100	16,522	16,522
	22,950	22,950	25,089	25,089
<b>Operating leases</b>				
As at 31 March AHDB was committed to future minimum lease payments under non-cancellable operating leases for each of the following periods:-				
<b>Property</b>				
Within one year	130	130	540	511
Between two and five years	75	75	310	295
Over five years	1	1	-	-
	206	206	850	806
<b>Vehicles</b>				
Within one year	519	467	329	285
Between two and five years	845	787	370	333
	1,364	1,254	699	618
<b>Equipment</b>				
Within one year	40	40	56	55
Between two and five years	13	13	59	59
	53	53	115	114

Approved research projects represent expenditure with third parties which has been contracted, as distinct from projects at the stage of having been approved and budgeted. These accounts are prepared on a going concern basis, it is assumed that future income will be available to meet these commitments.

# Notes to the financial statements

## 17. Financial instruments

Because of the nature of its activities and the way in which AHDB is financed, it is not exposed to the degree of financial risk faced by other business entities. Moreover, financial instruments play a much more limited role than would be typical of the listed companies to which IFRS 7 mainly applies.

Financial assets and liabilities are generated by day-to-day operational activities and are not held to change the risks facing AHDB in undertaking its activities or for trading. The fair values of all its financial assets and liabilities are approximate to their amortised costs as follows:

	Group As at 31-Mar-13 £'000	Group As at 31-Mar-13 £'000	Group As at 31-Mar-12 £'000	Group As at 31-Mar-12 £'000
	<b>Loans and receivables</b>	<b>Other financial liabilities</b>	Loans and receivables	Other financial liabilities
<b>Trade receivables</b>				
Levy receivable	2,572		4,087	
Receivables for fees	1,794		2,990	
Accrued income (less prepayments)	5,139		4,622	
Intra-government balances	230		166	
<b>Cash and equivalents</b>	<b>20,745</b>		13,976	
<b>Trade and other payables</b>				
Trade payables		2,707		2,150
Accruals		6,725		6,455
Pig Industry Development Scheme Fund		75		75
Intra-government balances		2,269		2,125
Other		444		439
<b>Total</b>	<b>30,480</b>	<b>12,220</b>	<b>25,841</b>	<b>11,244</b>

### Credit and liquidity risk

AHDB is exposed to the usual credit risk and cash flow risk associated with invoicing on credit and manages this through credit control procedures. In the current difficult economic climate, procedures in credit control have been tightened and involvement with sector staff and boards has been increased to help monitor liquidity risks within the industry. The nature of its financial instruments means that they are not subject to price risk or liquidity risk.

### Interest rate risk

AHDB is not exposed to any interest rate risk. All surplus funds are placed on deposit with commercial banks at the prevailing deposit interest rate. Where possible, funds are placed on fixed term deposit in order to optimise return. The opportunity to do so is restricted by the fluctuations in our cash flow cycle and our practice or placing funds only with institutions holding a credit rating matching or exceeding that of our regular corporate bankers, currently Barclays Bank Plc.

### Foreign currency risk

AHDB's exposure to foreign currency risk is not currently significant.

### Market and price risk

AHDB's level of income is affected in some sectors by general economic and market conditions. These are monitored and analysed by Market Intelligence to provide guidance as to future commodity trends. AHDB uses this guidance to inform its future cash projections and assist with decision making regarding the timing of incurring variable costs.

# Notes to the financial statements

## 18. Related party transactions

AHDB is a Non-Departmental Public Body (NDPB) funded by statutory levies and sponsored by the Department for Environment, Food and Rural Affairs (Defra). Defra is a Government department which is regarded as a related party. Defra is the sponsoring department of the other Arm's Length Bodies listed below and by virtue of their relationship with Defra are also regarded as related parties.

The main government bodies AHDB had transaction with during the year were Defra and other Defra bodies, HMRC and the Health and Safety Executive.

One of the members of the Board, Allan Stevenson, is also a Director of the James Hutton Institute. During the year, AHDB had transactions with the Institute amounting to £30k, excluding VAT (2011/12: £62k). As at 31 March 2013, AHDB owed the Institute £7k (31 March 2012: £17k). Another Board member, John Cross, was a director of Assured Foods Standards (AFS) until 30 November 2012, when he was replaced on that Board by John Godfrey. AHDB had transactions with AFS of £244k excluding VAT (2011/12: £326k). At 31 March 2013 AHDB owed AFS £30k (31 March 2012: £60k). Chris Bones is Professor of Leadership and Creativity at the University of Manchester Business School, with whom AHDB had transactions during the year of £6k (2011/12: £6k). All the above transactions were on an Arm's Length basis. No other AHDB Board members, sector board members, senior executive staff or other related parties have undertaken any material transactions with AHDB. Statutory levies were paid by a number of AHDB Board members on an arm's length basis and are outside the scope of IFRS 8.

There are no company directorships or other significant interests that AHDB considers may conflict with management responsibilities.

Transactions with senior members of staff can be found in the Remuneration Report on page 23.

## 19. Contingent liabilities

There were no contingent liabilities at 31 March 2013.



# Notes to the financial statements

## 20. Pensions

### 20a. Information about the Schemes

#### Introduction

AHDB operates a number of approved retirement benefit arrangements in the UK, encompassing both Defined Benefit (DB) schemes and Defined Contribution (DC) schemes.

#### MLC Pension Scheme

AHDB operates a contributory Pension Scheme providing defined benefits to legacy MLC members based on final pensionable salary. The assets of the Scheme are held separately from those of AHDB, being invested with insurance and investment companies. The Scheme has provision for pensions in payment to be increased by 5% per annum or the percentage shown in the Pension Increases Order, if lower. If the percentage shown in the Order exceeds 5% per annum there is provision in the Scheme Rules for pensions in payment to be increased beyond 5% per annum by the Trustees with AHDB's consent. Contributions to the Scheme are charged to AHDB's income and expenditure account and are determined by a qualified actuary on the basis of annual valuations using the projected unit method. The employer's contributions to the scheme in 2013/14 are estimated to be £0.3 million.

As part of the AHDB transitional arrangements, any employees joining the organisation after April 2008 have not been eligible to join the MLC DB scheme so it has been closed to new entrants since that date.

A substantial part of the scheme's assets are represented by a buy-in policy with an insurance provider (Aviva) to cover the future liabilities of the scheme in relation to the in-payment pension obligations at that time. This was achieved in order to reduce the scheme's and the employer's, risk exposure to future downturns in asset performance and improvements in longevity. Under the terms of the buy-in, the annuity policy is in the name of the Trustee and, as such, is considered a qualifying investment of the scheme. Due to market conditions, the policy attracts an income related to RPI, while the pension payments from the scheme have guaranteed increases at CPI. While CPI remains lower than RPI, a small surplus will be generated and added to the total scheme assets for the benefit of the scheme as a whole. As shown in note 20c below, at 31 March 2013, 64.4% of the scheme's total assets were represented by the Aviva policy. The assets of the policy have been valued for AHDB's accounting purposes using an IAS 19 discount rate which ensures the asset is valued on a basis consistent with that used to value the future liabilities it is in place to settle.

The valuation method used to value the asset placed on the buy-in policy with Aviva is consistent with that used last year. It has been calculated as the present value of the future expected policy income stream using the same assumptions as used to calculate the Defined Benefit Obligation, except that the policy income in excess of Guaranteed Minimum Pensions is assumed to increase in line with RPI up to 5% pa rather than CPI up to 5% pa. These assumptions have been selected because the income from the policy matches the corresponding pension payments from the scheme in all other aspects. By using these assumptions, in future years the asset value on the buy-in policy will move in line with the corresponding liabilities while still allowing for the expected higher future income stream if RPI is assumed to be higher than CPI. It is recognised that an alternative, risk-related discount rate could have been used to value the assets in the Aviva insurance policy which, at 31 March, would have shown a higher asset value and thus a higher scheme surplus. The amount recognised in the statement of financial position would remain unchanged due to the restrictions under IAS 19 regarding the amount of surplus disclosed by the employer. This valuation method was not selected as it would lead to more volatile asset valuations in future years and is not consistent with the valuation of the corresponding obligations.

#### HGCA Pension Scheme

The scheme provides benefits to legacy HGCA members based on final salary. Actuarial valuations are usually prepared on a triennial basis. The latest valuation was completed at 1 April 2010 and indicated a funding deficit of £0.9 million. Agreement on a recovery plan was reached between the HGCA Pension Plan Trustees and AHDB, concerning the funding of the deficit. This plan specified annual contributions, payable monthly, of £75k from April 2011 to March 2014, and annual contributions, payable monthly, of £165k from April 2014 to March 2017. The employer's normal contributions to the scheme in 2013/14 are estimated at £46k.

### 20b. Principal assumptions

The adoption of CPI rather than RPI as the basis for calculating future pension payment increases has been used as one of the principal assumptions to calculate the different scheme liabilities, from 1 April 2011 onwards. This is in accordance with IAS 19 and as required by HM Treasury. The accounting treatment was adopted by all central Government entities where RPI has been used for inflation indexing for many years.

# Notes to the financial statements

## 20. Pensions (continued)

The principal assumptions used to calculate the different Scheme liabilities include:

	MLC Pension Scheme		HGCA Pension Scheme	
	31-Mar-13 % pa	31-Mar-12 % pa	31-Mar-13 % pa	31-Mar-12 % pa
Price inflation	2.5	2.3	2.5	2.3
Rate of increase in pay	3.5	3.8	3.5	3.8
Rate of increase of pensions in payment*	2.5	2.3	2.5	2.3
Rate of increase for deferred pensioners*	2.5	2.3	2.5	2.3
Discount rate	4.2	4.6	4.2	4.6

\* in excess of any Guaranteed Minimum Pension (GMP) element

Under the mortality tables and projections adopted, the assumed future life expectancies are as follows:

	MLC Pension Scheme		HGCA Pension Scheme	
	31-Mar-13 years	31-Mar-12 years	31-Mar-13 years	31-Mar-12 years
Male currently aged 65	22.9	21.9	22.7	22.2
Female currently aged 65	25.3	24.9	25.2	25.1
Male currently aged 50	24.5	24.1	24.3	24.4
Female currently aged 50	27.1	27.1	27.0	27.4

	MLC Pension Scheme Long-term rate of return expected		HGCA Pension Scheme Long-term rate of return expected	
	31-Mar-13 % pa	31-Mar-12 % pa	31-Mar-13 % pa	31-Mar-12 % pa
Scheme assets	5.1	5.5	4.8	5.1

The rate of return on each asset class has been determined as follows:

Equity: The rate adopted is 7.2% pa, which is 0.5% lower than the rate adopted as at 31 March 2012. This reflects the decrease in inflation and reduction in expected real returns.

Gilts: The rate adopted is 3.2% pa (2012: 3.3%).

Insurance policy: The method used to value the assets of the insurance policy is disclosed in Note 20a, on page 64. The assured rate of increase for the policy is 4.2% (2012: 4.6%), in line with the discount rate assumption.

# Notes to the financial statements

## 20. Pensions (continued)

### 20c. Assets

The major categories of assets as a proportion of the fair value of total plan assets are as follows:

	MLC Pension Scheme		HGCA Pension Scheme	
	31-Mar-13 % pa	31-Mar-12 % pa	31-Mar-13 % pa	31-Mar-12 % pa
Equities	35.4	33.9	38.1	40.0
Gilts	-	-	60.2	58.0
Annuities	-	-	1.3	1.5
Cash	0.2	0.4	0.4	0.5
Other - Insurance policy	64.4	65.7	-	-

### 20d. Components of defined benefit cost for the 12 months ended 31 March 2013

Analysis of amounts charged to statement of comprehensive income:

	MLC Pension Scheme		HGCA Pension Scheme		Total Pension Schemes	
	For the year ended 31-Mar-13 £'000	For the year ended 31-Mar-12 £'000	For the year ended 31-Mar-13 £'000	For the year ended 31-Mar-12 £'000	For the year ended 31-Mar-13 £'000	For the year ended 31-Mar-12 £'000
Current service cost	(700)	(700)	(53)	(44)	(753)	(744)
Past service cost	-	-	(19)	-	(19)	-
Interest cost	(8,300)	(9,300)	(737)	(803)	(9,037)	(10,103)
Expected return on plan assets	9,600	10,800	916	930	10,516	11,730
Total other finance income	1,300	1,500	179	127	1,479	1,627
<b>Total income/(expense) recognised in profit and loss</b>	<b>600</b>	<b>800</b>	<b>107</b>	<b>83</b>	<b>707</b>	<b>883</b>

# Notes to the financial statements

## 20. Pensions (continued)

### 20d. Total amount recognised in other comprehensive income

Analysis of the amounts charged to other comprehensive income:

	MLC Pension Scheme		HGCA Pension Scheme		Total Pension Schemes	
	For the year ended 31-Mar-13 £'000	For the year ended 31-Mar-12 £'000	For the year ended 31-Mar-13 £'000	For the year ended 31-Mar-12 £'000	For the year ended 31-Mar-13 £'000	For the year ended 31-Mar-12 £'000
Actuarial gains and (losses) on assets	7,200	(19,500)	614	850	7,814	(18,650)
Actuarial gains and (losses) on liabilities	(13,400)	(11,600)	(1,757)	(1,134)	(15,157)	(12,734)
Change in the effect of the asset ceiling	5,100	30,500	1,048	289	6,148	30,789
<b>Total amount (charged)/credited in other comprehensive income</b>	<b>(1,100)</b>	<b>(600)</b>	<b>(95)</b>	<b>5</b>	<b>(1,195)</b>	<b>(595)</b>

### 20e. Reconciliation of the present value of the defined benefit obligation and the fair value of the plan assets to the assets and liabilities recognised in the Statement of Financial Position

	MLC Pension Scheme		HGCA Pension Scheme		Total Pension Schemes	
	As at 31-Mar-13 £'000	As at 31-Mar-12 £'000	As at 31-Mar-13 £'000	As at 31-Mar-12 £'000	As at 31-Mar-13 £'000	As at 31-Mar-12 £'000
Present value of defined benefit obligation	(198,000)	(185,500)	(18,286)	(16,268)	(216,286)	(201,768)
Fair value of plan assets	205,100	197,900	19,288	18,165	224,388	216,065
Surplus/(deficit) on scheme	7,100	12,400	1,002	1,897	8,102	14,297
Restriction to defined benefit asset due to asset ceiling	(5,300)	(10,400)	(1,218)	(2,266)	(6,518)	(12,666)
<b>Net asset/(liability) recognised in Statement of Financial Position</b>	<b>1,800</b>	<b>2,000</b>	<b>(216)</b>	<b>(369)</b>	<b>1,584</b>	<b>1,631</b>

# Notes to the financial statements

## 20. Pensions (continued)

### 20e. Reconciliation to the statement of financial position

Analysis of the movement in surplus/(deficit) during the year:

	MLC Pension Scheme		HGCA Pension Scheme		Total Pension Schemes	
	For the year ended 31-Mar-13 £'000	For the year ended 31-Mar-12 £'000	For the year ended 31-Mar-13 £'000	For the year ended 31-Mar-12 £'000	For the year ended 31-Mar-13 £'000	For the year ended 31-Mar-12 £'000
Surplus/(deficit) in the Scheme at start of year	2,000	1,400	(369)	(581)	1,631	819
Contributions paid	300	400	141	124	441	524
Current service cost	(700)	(700)	(53)	(44)	(753)	(744)
Past service cost	-	-	(19)	-	(19)	-
Other finance income	1,300	1,500	179	127	1,479	1,627
Actuarial (loss)/gain	(1,100)	(600)	(95)	5	(1,195)	(595)
Surplus/(deficit) in the Scheme at end of year	1,800	2,000	(216)	(369)	1,584	1,631

For the HGCA Pension Scheme, the contributions paid for the year ended 31 March 2013 of £141k (2012: £124k) include the additional Scheme augmentation component of £75k (2012: £75k) referred to in 20a.

### 20f. Reconciliation of opening and closing balances of the present value of the defined benefit obligation

Change in scheme liabilities:

	MLC Pension Scheme		HGCA Pension Scheme		Total Pension Schemes	
	For the year ended 31-Mar-13 £'000	For the year ended 31-Mar-12 £'000	For the year ended 31-Mar-13 £'000	For the year ended 31-Mar-12 £'000	For the year ended 31-Mar-13 £'000	For the year ended 31-Mar-12 £'000
Balance at 1 April	(185,500)	(173,100)	(16,268)	(14,845)	(201,768)	(187,945)
Current service cost	(700)	(700)	(53)	(44)	(753)	(744)
Interest cost	(8,300)	(9,300)	(737)	(803)	(9,037)	(10,103)
Contributions by plan participants	(200)	(200)	(17)	(16)	(217)	(216)
Actuarial gains and losses	(13,400)	(11,600)	(1,757)	(1,134)	(15,157)	(12,734)
Benefits paid	10,100	9,400	565	574	10,665	9,974
Past service cost	-	-	(19)	-	(19)	-
Scheme liabilities at end of year	(198,000)	(185,500)	(18,286)	(16,268)	(216,286)	(201,768)

## Notes to the financial statements

### 20. Pensions (continued)

#### 20f. Reconciliation of opening and closing balances of the fair value of plan assets

Change in scheme assets:

	MLC Pension Scheme		HGCA Pension Scheme		Total Pension Schemes	
	For the year ended 31-Mar-13 £'000	For the year ended 31-Mar-12 £'000	For the year ended 31-Mar-13 £'000	For the year ended 31-Mar-12 £'000	For the year ended 31-Mar-13 £'000	For the year ended 31-Mar-12 £'000
Balance at 1 April	<b>197,900</b>	215,400	<b>18,165</b>	16,819	<b>216,065</b>	232,219
Expected return on plan assets	<b>9,600</b>	10,800	<b>916</b>	930	<b>10,516</b>	11,730
Actuarial gains and losses	<b>7,200</b>	(19,500)	<b>614</b>	850	<b>7,814</b>	(18,650)
Contributions by the employer	<b>300</b>	400	<b>141</b>	124	<b>441</b>	524
Contributions by the plan participants	<b>200</b>	200	<b>17</b>	16	<b>217</b>	216
Benefits paid	<b>(10,100)</b>	(9,400)	<b>(565)</b>	(574)	<b>(10,665)</b>	(9,974)
Fair value of assets at end of year	<b>205,100</b>	197,900	<b>19,288</b>	18,165	<b>224,388</b>	216,065

The actual return of plan assets in the MLC Pension Scheme was a gain of £16.8 million (2011/12: £8.7 million loss). The actual return of plan assets in the HGCA Pension Scheme was a £1.53 million gain (2011/12: £1.78k gain).

# Notes to the financial statements

## 20. Pensions (continued)

### 20g. Historic trend data

	MLC Pension Scheme				
	2012-13 £'000	2011-12 £'000	2010-11 £'000	2009-10 £'000	2008-09 £'000
Present value of defined benefit obligation at year end	(198,000)	(185,500)	(173,100)	(201,700)	(156,500)
Fair value of plan assets at year end	205,100	197,900	215,400	213,000	182,100
<b>Surplus/(deficit) in scheme at year end</b>	<b>7,100</b>	<b>12,400</b>	<b>42,300</b>	<b>11,300</b>	<b>25,600</b>
Experience adjustments arising on plan liabilities	(2,000)	(1,700)	10,900	700	(1,100)
Experience adjustments arising on plan assets	7,200	(19,500)	2,000	31,100	(33,800)

	HGCA Pension Scheme				
	2012-13 £'000	2011-12 £'000	2010-11 £'000	2009-10 £'000	2008-09 £'000
Present value of defined benefit obligation at year end	(18,286)	(16,268)	(14,845)	(17,483)	(10,565)
Fair value of plan assets at year end	19,288	18,165	16,819	16,314	11,243
<b>Surplus/(deficit) in the Scheme at end of year</b>	<b>1,002</b>	<b>1,897</b>	<b>1,974</b>	<b>(1,169)</b>	<b>678</b>
Experience adjustments arising on plan liabilities	(121)	296	2,001	(5,371)	2,812
Experience adjustments arising on plan assets	614	850	(430)	2,403	(2,294)

# Notes to the financial statements

## 20. Pensions (continued)

### 20h. Defined Contribution Schemes

#### MLC Pension Scheme

The Defined Contribution section of the MLC Pension Scheme had a total of 38 members as at 31 March 2013 (31 March 2012: 42 members). The current employee and employer contribution rates are 5% and 7% respectively. The cost to AHDB of operating the Scheme during the year ended 31 March 2013 was £97k (2011-12: £117k) and the value of outstanding contributions as at 31 March 2013 was £8k (31 March 2012: £9k). This Scheme was closed to new members in 2008, when AHDB set up the AHDB Pension Scheme for newly appointed employees.

### 20i. Group Personal Pension Plans

#### AHDB Pension Scheme

The AHDB Pension Scheme is a Group Personal Pension Plan, whereby AHDB has selected a pension scheme and provider that it believes to be suitable for its employees and had a total of 224 members as at 31 March 2013 (31 March 2012: 196 members). The current employee and employer contribution rates are 3%/6%, 4%/8% and 5%/10% respectively. The Scheme is provided by Legal and General. The cost to AHDB of operating the Scheme during the year ended 31 March 2013 was £671k (2012: £478k) and the value of outstanding contributions as at 31 March 2013 was £59k (31 March 2012: £52k). There were a number of schemes brought forward from the previous levy board organisations whose remaining members were transferred into the AHDB Pension Scheme in October 2011. The cost to AHDB of running those schemes for the part of the 2011/12 year prior to those members transferring was £88k.

## 21. Events after the reporting date

There were no significant events after the reporting date.



# AHDB sector boards at 31 March 2013

## BPEX – English pig sector

**Stewart Houston CBE**, (Chair)  
**Alastair Butler**, pig producer, Suffolk  
**Marcus Cheale**, processor  
**Adam Couch**, processor (resigned 15 January 2013)  
**Jon Easey**, pig producer, East Anglia  
**Clive Francis**, independent member  
**Richard Hooper**, pig producer, Shropshire  
**Barry Lock**, processor  
**Richard Longthorp**, pig producer, East Yorkshire  
**Andrew Saunders**, processor  
**Mike Sheldon**, pig producer, Buckinghamshire (resigned 12 March 2013)  
**Ian Smith**, pig producer, Bedfordshire

*William de Klein and Rob Mercer were appointed to the BPEX Sector Board by AHDB from 1 April 2013.*

## DairyCo – GB milk sector

**Tim Bennett**, (Chair)  
**Jim Baird**, dairy farmer, Lanark  
**Kevin Beaty**, dairy farmer, Cumbria  
**Neil Cutler OBE**, dairy farmer, Hampshire (end of term in office 31 March 2013)  
**Keith Davis**, dairy farmer, Gloucestershire  
**Richard Davis**, dairy farmer, Bedfordshire (end of term in office 31 March 2013)  
**Julia Hawley**, dairy farmer, Leicestershire  
**Chris James**, dairy farmer, Pembrokeshire  
**Dr Stewart Jamieson**, dairy farmer, Dumfriesshire (end of term in office 31 March 2013)  
**Ian Martin**, independent member  
**Peter Nicholson**, processor  
**Thomas Rawson**, dairy farmer, Lincolnshire

*David Cotton, Timothy Gue and Janette Prince were appointed to the DairyCo Sector Board by AHDB from 1 April 2013.*

## EBLEX – English beef and lamb sector

**John Cross**, (Chair)  
**Dr Colette Backwell**, independent member  
**Jonathan Barber**, sheep breeder, Norfolk  
**Howard Bates**, sheep farmer, Romney Marsh  
**Malcolm Corbett**, hill farmer, Newcastle-upon-Tyne (end of term in office 31 March 2013)  
**James Fanshawe**, beef farmer, Northamptonshire  
**Andy Foot**, mixed arable and beef farmer, Dorset  
**Alistair Mackintosh**, mixed livestock and arable farmer, Cumbria  
**Richard Phelps**, processor  
**Mike Powley**, beef farmer, York  
**Kevin Swoffer**, independent member (resigned 30 September 2012)  
**Simon Warren**, technical consultant to red meat supply chain  
**Paul Westaway**, beef farmer, Gloucestershire  
**Gwyn Williams**, livestock auctioneer, Cheshire  
**Ryan Williams**, processor (end of term in office 31 March 2013)

*Mark Allan, Rizvan Khalid and Rosalind Turner were appointed to the EBLEX Sector Board by AHDB from 1 April 2013.*

## **HDC – GB horticulture sector**

**Neil Bragg**, (Chair)

**Ian Ashton**, hardy nursery stock grower, Southampton

**John Collier**, mushroom grower, Eire (resigned 18 January 2013)

**Alan Davis**, protected ornamentals consultant, Somerset (end of term in office 31 March 2013)

**Harriet Duncalfe**, soft fruit grower, Cambridgeshire (end of term in office 31 March 2013)

**Gordon Flint**, bulbs and outdoor flower grower, Lincolnshire (end of term in office 31 March 2013)

**Nigel Kitney**, tree fruit grower, Herefordshire

**Carol Paris**, retail expert, Somerset

**John Sedgwick**, field vegetable grower, Fife, Scotland

**Paul Singleton**, independent member and vice-chair

**Gary Taylor**, protected edibles grower, Essex

*Martin Emmett, Mike Mann and Marion Regan were appointed to the HDC Sector Board by AHDB from 1 April 2013.*

## **HGCA – UK cereals and oilseeds sector**

**Jonathan Tipples**, (Chair)

**Andrew Brown**, mixed farmer, Rutland

**Cath Clelland**, independent member

**John Cunningham**, animal feed industry, N Ireland

**Michael Hambly**, combinable crops, beef farmer and co-operative member, Cornwall

**Arthur Hill**, combinable crops farmer, West Midlands (end of term in office 31 March 2013)

**David Houghton**, specialist malting barley and wheat farmer, North Scotland

**Guy Smith**, combinable crops farmer, Essex

**Radbourne Thomas**, combinable crops farmer, Leicestershire (end of term in office 31 March 2013)

**Stewart Vernon**, combinable crops farmer, County Durham (end of term in office 31 March 2013)

**Alexander Waugh**, flour milling industry, Surrey

**Colin West**, brewing and malting industry, Essex (end of term in office 31 March 2013)

**Richard Whitlock**, grain and biofuels consultant

*Robert Lasseter, George Lawrie, Charles Matts and Paul Temple were appointed to the HGCA Sector Board by AHDB from 1 April 2013.*

## **Potato Council – GB potato sector**

**Allan Stevenson**, (Chair) (end of term in office 31 March 2013)

**Robin Baines**, grower, Norfolk (resigned 1 October 2012)

**Tony Bambridge**, grower, Norfolk

**Anthony Carroll**, grower, Northumberland

**Dave Chelley**, processor

**Robert Doig**, grower, Perthshire (end of term in office 31 March 2013)

**Fiona Fell**, independent member

**Zöe Henderson**, independent member

**Dan Hewitt**, grower, Norfolk

**Alistair Melrose**, grower, Brechin

**Graham Nichols**, grower, Gloucestershire (end of term in office 31 March 2013)

**Tim Papworth**, grower, Norfolk

**Nick Tapp**, grower/packer

**Duncan Worth**, grower, South Lincolnshire (end of term in office 31 March 2013)

*David Piccaver was appointed as the new Chair, by Defra, from 1 April 2013. Bruce Kerr, Edward Lindley and Alistair Redpath were appointed to the Potato Council Sector Board by AHDB from 1 April 2013.*

## Levy rates 2012/13

SECTOR	Levy rate 2012/13	Higher rate for late payment
<b>Pigs (England)</b>	£ per head	£ per head
Producer	0.85	0.935
Slaughterer/exporter of live pigs	0.20	0.22
<b>Beef and Lamb (England)</b>	£ per head	£ per head
<b>Cattle (excluding calves)</b>		
Producer	4.05	4.05
Slaughterer/exporter of live cattle	1.35	1.35
<b>Calves</b>		
Producer	0.08	0.08
Slaughterer/exporter of live calves	0.08	0.08
<b>Sheep</b>		
Producer	0.60	0.60
Slaughterer/exporter of live sheep	0.20	0.20
<b>Milk (GB)</b>	Pence per litre	Pence per litre
Buyers and direct sellers of milk	0.060	0.066
<b>Cereals and oilseeds (UK)</b>	Pence per tonne	Pence per tonne
Cereal grower	46.00	50.60
Cereal buyer	3.80	4.18
Cereal processor (human and industrial)	9.50	10.45
Cereal processor (feed)	4.60	5.06
Oilseeds	75.00	82.50
<b>Horticulture (GB)</b>	% sales turnover	% sales turnover
Horticulture products	0.50	0.55
<b>Mushroom spawn</b>	Pence per litre	Pence per litre
- Agaricus	8.0	8.8
- Non-agaricus	2.0	2.2
<b>Potatoes (GB)</b>		
Potato growers	£42.62 per hectare	£48.08 per hectare
Purchasers of potatoes	£0.1858 per tonne	£0.2076 per tonne

# Glossary of terms

ACP	Agricultural Conservation Programme	HR	Human Resources
ADAS	Agricultural & Environmental Consultancy	HRCS	Human Resources and Corporate Services
AFS	Assured Food Standards	HTA	Horticultural Trades Association
AHDB	Agriculture and Horticulture Development Board	IAO	Information Asset Owner
AIC	Agricultural Industries Confederation	IAS	International Accounting Standards
ALB	Arm's Length Body	IFRS	International Financial Reporting Standards
AM	Assembly Member	KPI	Key Performance Indicator
AVE	Advertising Value Equivalent	KT	Knowledge Transfer
BBSRC	Biotechnology and Biological Sciences Research Council	MI	Market Intelligence
BCE	British Cereal Exports	MLC	Meat and Livestock Commission
BIS	Department for Business Innovation & Skills	MLCSL	Meat & Livestock Commercial Services Limited
BNF	British Nutrition Foundation	MLST	Multi-Locus Sequence Typing
BPC	British Potato Council	MP	Member of Parliament
BRP	Better Returns Programme	MSP	Member of the Scottish Parliament
BVD	Bovine Viral Diarrhoea	NDPB	Non-Departmental Public Body
CAP	Common Agricultural Policy	NGO	Non-Governmental Organisation
CCTV	Closed Circuit Television	NFU	National Farmers Union
CEO	Chief Executive Officer	OTS	Opportunities to See
CETV	Cash Equivalent Transfer Value	PESTLE	Political, Economic, Social, Technological, Legal and Environmental
CIPC	Chlorpropham	PCN	Potato Cyst Nematode
CLA	Country Land & Business Association	PHIP	Pig Health Improvement Project
CPD	Continuous Professional Development	PR	Public Relations
CPI	Consumer Price Index	QSM	Quality Standard Mark
CRD	Chemicals Regulation Directorate	RASE	Royal Agricultural Society of England
CSF	Catchment Sensitive farming	R&D	Research and Development
DB	Defined Benefit	RDPE	Royal Development Programme for England
DC	Defined Contribution	RPI	Retail Price Index
Defra	Department for Environment, Food and Rural Affairs	SAM	Stun Assurance Monitor
eAML2	Electronic Animal Movement Licence	SBEU	Sutton Bridge Experimental Unit Limited
EAMU	Extension of Authorisation for Minor Use	SBCSR	Sutton Bridge Crop Storage Research
EMT	East Malling Trust	SCEPTRE	Sustainable Crop Protection Targeted Research for Edibles
EU	European Union	SET	Senior Executive Team
FABS	Finance and Business Services	SG	Scottish Government
FRem	Financial Reporting Manual	SI	Standing Instructions
GB	Great Britain	SRUC	Scotland's Rural College
GHG	Green House Gas	TSB	Technology Strategy Board
GHGAP	Green House Gas Action Plan	UK	United Kingdom
GM	Genetically Modified	UKECP	UK Export Certification Partnership
GMP	Guaranteed Minimum Pension	UKGAAP	UK Generally Accepted Accounting Principles
HCC	Hybu Cig Cymru	UKTI	United Kingdom Trade & Investment
HIP	Horticulture Innovation Partnership	WG	Welsh Government
HMRC	Her Majesty's Revenue & Customs		
HNS	Hardy Nursery Stock		

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