



# Agriculture and Horticulture Development Board Annual Report and Accounts 2011/12





Agriculture & Horticulture  
DEVELOPMENT BOARD

# **Agriculture and Horticulture Development Board Annual Report and Accounts 2011/12**

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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**Fourth 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 2012.**

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

# About AHDB

## Who we are and what we do

### Who we are

The Agriculture and Horticulture Development Board (AHDB) has a pivotal role to help make the six commodity sectors we support more competitive and sustainable:

- 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.

AHDB is a Non-Departmental Public Body established under the Agriculture and Horticulture Development Board Order 2008; it became operational on 1 April 2008 and covers around 75% of total agricultural output in the United Kingdom (UK).

### Our structure

Our philosophy is that levy payers are at the heart of what we do. In order to deliver genuine levy payer focus, AHDB is organised around six 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 to deliver good levy payer accountability.

*Greater detail on the organisational structure can be found on [www.ahdb.org.uk](http://www.ahdb.org.uk)*

### What we do

We help our industries to be more competitive and 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, deliver marketing promotion activities to help stimulate demand and also work to maintain and develop export markets.

AHDB also ensures that proper account is taken of Government priorities for agriculture and the agri-food industry, where appropriate.

The AHDB purpose is: to make our industries more competitive and sustainable.

### 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.

### How we are funded

The work of AHDB is funded by farmers, growers and others in the supply chain through statutory levies – not from central Government. 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.

### Group structure

During the year, there was one subsidiary in the AHDB group that actively traded, Meat & Livestock Commercial Services Limited (MLCSL). All its 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's 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

## AHDB Board during 2011/2012

### Chair:

John Godfrey CBE (appointed Chair in May 2011 by Ministers)

### Independent members:

Professor Chris Bones

Lorraine Clinton

Clare Dodgson

### 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

Jonathan Tipples, UK cereals and oilseeds – HGCA

*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 during 2011/2012

### 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

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

### AHDB Remuneration Committee

Lorraine Clinton (Chair) – AHDB independent Board member

Tim Bennett – AHDB Board member

Stewart Houston CBE – AHDB Board member

Allan Stevenson – AHDB Board member

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

### AHDB Nominations Committee

Clare Dodgson (Chair) – AHDB independent Board member

Professor Chris Bones – AHDB independent Board member

*Nominations Committee oversees the appointment of AHDB's sector board members.*

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

# Chair's foreword

## Change is the only constant

Our agriculture and horticulture industries are constantly changing. They always have been and they always will be, as farmers and growers strive to improve performance while adjusting their operations to the challenges of regulations, weather, pests and diseases, maintaining our soils, producing better yields while using less inputs, the changing requirements of consumer and supply chain drivers, global commodity movements, etc.

I have farmed most of my adult life and, although agriculture and horticulture are perceived as 'traditional industries', we only survive and prosper through constant adaptation.

Too often, this adaptability and change management is unrecognised by the public, who believes we just do the same old thing in the same old way from year to year.

Yes, there needs to be a sound business reason for making changes, but this is no different from any other walk of life.

The Foresight report, the Environmental White Paper, the Green Food Project, etc. are all helping policy makers and stakeholders to identify the right framework for the industry to be able to produce more while impacting less.

AHDB is playing a pivotal role in helping the industry to meet these types of challenges and to be more competitive and sustainable. AHDB is doing this through world-class research and development and farm-level knowledge transfer/exchange activity and the provision of essential market information to improve supply chain transparency.

By concentrating on what best delivers efficient and sustainably profitable agricultural and horticultural businesses, we are also delivering the other 'public benefits' to do with greenhouse gases, contributing to the rural community and biodiversity.

There is a huge depth of knowledge and independent expertise within AHDB and I intend for the profile of AHDB to be raised during the year ahead, particularly the tremendous value for money being generated for levy payers. The consolidation of AHDB at Stoneleigh is showing great benefits in reduced administration costs, from cross-sector working and the sharing of ideas.

In October 2011, my Board held an horizon scanning strategy day to consider the kind of challenges and opportunities that UK agriculture and horticulture may face towards 2030. With the huge focus by governments, non-governmental organisations (NGOs) and media globally on food security and climate change over the last few years, the issues discussed were neither new nor revolutionary.

Two key strategic challenges emerged for AHDB to take away and develop:

1. The need to improve the uptake of science into practice by levy payers
2. The need to devise strategies which concentrate on boosting the economic performance of levy payer businesses in a way that is environmentally sustainable.

A growing concern of the Board was also expressed at the continued loss of UK capacity to undertake applied research in agriculture and horticulture. There are few remaining specialist research institutions with expertise and facilities to undertake research of immediate relevance to industry. As a consequence of the decline in investment over a period of three decades, some areas of UK research capability have declined to such a degree that they are already below critical mass and may prove impossible to sustain for the future.

The Minister of State for Agriculture and Food has stated that he looks to AHDB to be the central professional body for the farming industry, delivering significant return on investment for levy payers. I believe we are well on track to fulfil this role.

I am pleased to report that, just prior to the year end, I was informed that AHDB would be 'retained' following the Arm's Length Body Review conducted on us in 2011 (all Arm's Length Bodies are reviewed by Government on a triennial basis). We now anticipate working with Defra over the coming year to implement any recommendations to further develop AHDB as an efficient, relevant and accountable professional body for the farming industry, operating at arm's length from Government.

**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. John was appointed chair of AHDB on 16 May 2011.*

# Chief Executive's report

## Improving Efficiency

### Introduction

AHDB's role is to deliver value to agriculture and horticulture levy payers where there is a market failure need. Demand for this work is increasing as the challenges faced by all levy payers continue to mount.

My job is to manage the day-to-day operation of AHDB as efficiently as possible, giving good value for money as part of our overall delivery of effective front-line services to benefit our levy payer businesses. As Chief Executive, I am responsible to the AHDB Board and, as Accounting Officer, to the Department for Environment, Food and Rural Affairs (Defra) for good governance.

Last year, we said we would deliver both operating and retained surpluses for the 2011/12 financial year and I'm pleased to report that we have achieved this, for the first time since AHDB became operational in 2008.

### Our financial performance

The AHDB accounts show a surplus for the year ending 31 March 2012 of £5.0m (2011: £14.9m), including income relating to pension schemes of £0.9m (2011: £14.1m). The surplus excluding defined benefit pension scheme transactions, being that used for internal performance measures, was £3.6m (2011: deficit £81k). The surplus is £2.9m better than the original budgeted figure largely due to income being £6.1m above the previous year, £3.3m of which we were able to plough back into core strategic activities for levy payers.

The levy collection team continued to make impressive headway in identifying and collecting levies previously avoided. In the current economic climate, the levy collection team also continued to concentrate on the management of debtors, reflecting the current recession.

On average, 13 pence in every pound of income was spent on corporate central support costs in the year ending 31 March 2012 compared to 15 pence for the year ending 31 March 2011 and 19 pence for the year ending 31 March 2010.

### Our governance

Our systems of internal control, risk management and corporate governance are operating well and it was reported by our internal auditors that 'no areas of substantive concern exist'. These systems were further developed during the year to 31 March 2012, including embedding risk management principles further down the organisation through practical training sessions for middle managers, which achieved excellent feedback.

The Board and the Senior Executive Team (SET) underwent training on their responsibilities concerning corporate manslaughter, bribery and fraud to bring them up to date on the requirements of the Bribery Act 2010. SET also underwent training about age discrimination, data protection and attended bespoke financial awareness training to bring all the team up to the same level on budget planning and management techniques.

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

### Delivering cost-efficiency

Delivering 'value for money' back to levy payers is a cornerstone of AHDB policy. In the original Accenture business case for the set-up of AHDB, it was anticipated that ongoing savings in 'steady state' would be £3.5 million. An analysis of AHDB savings for the Audit Committee showed that reductions in annual costs exceeded £3.8 million in real terms during 2011/12 when compared to the combined support costs of the former levy boards in the last year, pre-merger (2007/08). This level of saving is forecast to continue into the future.

Operational efficiencies continue to be achieved through improved systems and a more efficient team-working culture. For example, all the research, development and knowledge transfer teams now sit together in an open-plan environment. This has started to facilitate better sharing of ideas and best practice and swifter identification of projects which give benefit across two or more sectors, spreading the cost.

The sought-after joint divisional-funded projects are now normal practice delivering better value for money for our levy payers, some examples of which can be found in the management commentary starting on page 9.

AHDB is also increasingly linking with other organisations to develop partnership working arrangements to the advantage of our levy payers. This can not only help reduce the project cost to levy payers, but also helps to generate more consistent messages from various industry advisers to levy payers. A good example of this is the AHDB Education Strategy launched in February 2012 (see page 9).

This search for efficiencies includes prudent procurement of services where we delivered savings of £424,433 during 2011/12.

### Accountability to our levy payers

Accountability to levy payers is paramount and this is reflected in both our structure and the delivery of our levy payer services.

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 shows. We consulted widely on our annually updated three-year Corporate Plan and the proposed levy rates for the year



ahead. In addition, the main farming trade press continued to hold us to account.

### **Our people**

Successful and effective delivery for levy payers is down to us having the right people in the right roles that can be held accountable for their performance, action plans and delivery of targets/objectives.

At the forefront of this are the members of the Senior Management Team who continue to develop as a strong leadership team.

I am a strong believer in the power of good internal communications and through a multitude of direct and indirect channels the SET has worked to engage with our people and board members, keep them informed and listen to feedback.

We continue to work hard to make AHDB the most productive and positive workplace possible. We now have a suite of Human Resources (HR) tools that support the management and development of staff. These also deliver a two-way process which enables both our people and the organisation to understand its skills and competencies and how these can be used in the most effective way to support our levy payers. This work will move forward with the implementation of a Training and Development Strategy that will ensure our continued ability to provide high-quality services with a skilled workforce into the future.

Our AHDB culture is still developing and a bottom-up process to identify our values was undertaken with our people during 2011/12. Five values were distilled out of the process and agreed by the Board: value for money; excellence; transparency; customer focus and people. Work is now underway to define the behaviours which underpin these values and how we should live them. They will be rolled out in 2012/13 and will help shape our operating culture during the years ahead.

I am pleased to report that 2011/12 has seen us finalise more permanent office accommodation arrangements based at Stoneleigh Park, allowing us to vacate some of the summer pavilions we had been occupying.

### **The voice of AHDB**

As an organisation that covers 75% of UK agricultural output and has a pivotal role in helping to make the six commodity sectors we support more competitive and sustainable, 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 Common Agricultural Policy (CAP) Reform Stakeholder Group; Defra's Green Food Project; Scotland Food & Drink Executive Group; Defra's Agri-Food Export Forum; IGD's Policy Issues Council; Defra's Environmental White Paper Project Board; the Government's 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 Task Force; Defra's Task Force on Peat and Alternatives; the Food and Environment Research Agency External Science Panel; the LEAF Advisory Board and the industry AgriSkills Forum.

We also responded to more than 16 Government/Agency consultations on behalf of the industry.

### **Ballot process**

The Statutory Instrument under which AHDB operates allows 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.

During the second half of the year we worked closely with Defra to clearly define the process, to establish the 5% thresholds and to prepare detailed guidance for levy payers. A dedicated area of the AHDB website was launched in mid-March 2012 and the matter was publicised through the trade media and to stakeholder organisations.

### **Looking ahead**

During the year ahead, sustainability and competitiveness will remain right at the heart of our work. This is both the economic sustainability of agriculture and horticulture businesses in a challenging economic climate and environmental sustainability in the context of climate change and natural resource challenges.

**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 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, deliver marketing promotion activities to help stimulate demand and 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 (GHG) emissions:* The Greenhouse Gas Action Plan (GHGAP) sets out how the agriculture industry in England is helping to play its part in tackling climate change – produce more while impacting less. As part of our contribution, AHDB has established a pilot “iHub” (electronic retrievable repository of technical documentation on GHG emissions reduction from crop and livestock production systems). The pilot is being developed by the University of Hertfordshire and funded by the NFU, AIC, AHDB and from the Defra-funded ‘Integrated Advice Pilot’ project
- *Skills:* Although at AHDB our primary role is not a training organisation, much of our knowledge transfer work results in up-skilling managers and farm workers. AHDB is also a partner organisation supporting the industry’s AgriSkills strategy. In addition, we work with others to provide some specific skills development and Continuous Professional Development (CPD) schemes, as well as encouraging postgraduates to consider a career in agriculture and horticulture through funding studentships and supporting the recipients in understanding the employment opportunities in the industry.
- *CAP Reform:* One of the key policy issues in the agricultural and horticultural arena at present is Common Agricultural Policy (CAP) Reform. Our Market Intelligence team has played a valuable part in providing independent and impartial analysis of the potential impacts of different policy options/proposals for CAP Reform, supporting all involved in the debate to better understand the potential implications. Our report into the potential impact of the greening proposals was valued by both stakeholder organisations and Governments and has been well quoted and used at a high level to help inform the debates.
- *Farm Assurance Schemes:* AHDB believes that farm assurance schemes are in the best interest of producers and consumers. AHDB is therefore part way through a three-year, £1 million funding programme to support Assured Food Standards (AFS) to reach a self-sustaining business model. AFS license food suppliers to use the popular Red Tractor quality assurance mark on their products. The funding is in the form of tapering support over the period 1 April 2010 to 31 March 2013. During the year, AHDB’s marketing teams continued to work closely with the AFS team on promoting the benefits of assured food products.
- *AHDB Education Strategy:* In February 2012, AHDB launched its Education Strategy for 2012-17 covering food production and farming communication activities to schools across the UK. The strategy’s key goal is to extract greater value from the long-term educational activities currently being carried out by each of AHDB’s divisions, and to better align these with other education programmes in the industry to help deliver greater impact for the same investment.
- [www.foodfactoflife.org.uk](http://www.foodfactoflife.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 (BNF), experienced almost 3 million downloads (2,996,091) last year by primary and secondary schools.
- *Soils:* There is no one-size-fits-all to improving or maintaining soil quality. That’s why AHDB has 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. From July 2011 until March 2013, AHDB divisions and CSF are jointly running more than 70 events, with a focus on soil and nutrient management.
- *Manures:* Over the past three years, a technique to use Near Infrared Reflectance Spectrometry (NIRS) for rapidly testing the nutrient content of manures (slurries and biosolids) has been developed and is now commercially available to farmers. The Defra LINK project was jointly funded by five AHDB divisions (HGCA, DairyCo, Potato Council, EBLEX and BPEX). NIRS helps reduce the environmental impact of manure, reduces costs and gives more reliable results than other methods.
- *Water:* The Water Framework Directive started to create change in what is allowable on farm and the lack of rainfall in 2011/12 presented a forewarning of future challenges in terms of water availability in some regions. AHDB divisions worked on providing levy payers with evidence-based advice and information on water management that allows them to minimise impact on productivity.

## BPEX Division – supporting the pig industry in England

The focus of our BPEX division was on delivering an English pig production and processing sector that is resilient, sustainable and has internationally competitive supply chains which generate confidence for future investment. The primary aims in 2011/12 were to:

1. help the industry improve cost competitiveness to a level comparable with our main European Union (EU) competitors
2. increase the demand for English pork and pork products.

### Delivery highlights for 2011/12

- In July 2011, the *Pig Health Improvement Project* (PHIP) was launched allowing English producers to participate in an industry-wide co-ordinated programme to improve pig health that could yield an annual benefit of £50m. PHIP builds on the successes of regional projects and is co-funded by industry and the Rural Development Programme for England.
- The *20:20 Pig Industry Health and Welfare strategy* was launched in August 2011, supported by Animal Health Veterinary Laboratory Agency (AHVLA), Agricultural Industries Confederation, Assured Food Standards, BPEX, British Meat Processors Association, British Pig Association, National Pig Association, Pig Veterinary Society, RSPCA and the Responsible Use of Medicines in Agriculture Alliance. Improving the health and welfare of pigs is of paramount importance to the industry in terms of cost of production, environmental impact, food safety and the industry's reputation as a producer of high welfare pork. The strategy provides the framework by which this can be achieved.
- Delivery of the *Real Welfare Outcomes* project continued during 2011/12, aiming to provide real welfare measures based on science-based evidence to inform the welfare debate with policy makers, animal welfare groups and retailers. The measures will give all pig producers: credible benchmarks for real pig welfare in all production systems; an objective means of demonstrating they are good 'welfarists'; and a valuable tool to inform decisions on farm. BPEX and the University of Bristol, working with the RSPCA, completed a pilot project. The next stage is to look at integration within the mainstream pig assurance schemes.
- In 2012, BPEX concluded the research phase of the Green Pig Project. This project was delivered along with industry research partners Quality Meat Scotland and Processors & Growers Research Organisation and jointly funded by Defra under the Sustainable Livestock Production LINK programme. It suggested considerable potential for greater inclusion of home-grown legumes (peas and beans) as an environmentally friendly alternative to soybean meal. Trial results showed feed could contain up to 30% beans or peas with no adverse impact on meat. It had been thought the maximum level was about 15%.
- Changes to EU welfare legislation from 1 January 2013 provided a platform to increase differentiation of Red Tractor and EU pig welfare standards. We have

worked with other EU pig industry bodies to provide UK retailer and food service companies with objective data and commentary on the impact of the changes and the impact on EU pig meat production to enable them to develop sustainable sourcing strategies of compliant pig meat.

- We continued to work with Defra, the UKTI team at the British Embassy in Beijing and the China Britain Business Council to secure export health certification for UK pig meat products with China. An agreement was announced in June 2011 and BPEX supported the industry to develop protocols so this trade could commence.
- In 2011, we concluded a project to verify provenance by measuring naturally-occurring isotopes found in pork. The conclusion was the technology provides a robust method of assessing the provenance of samples from retail packs. We are now working with the British Meat Processing Association to use this to supplement current tracing methodology.
- The *Two Tonne Sow* (2TS) initiative aims to help English producers achieve an industry average of 2,000kg of pig meat per sow per year by 2013, from a baseline of 1,608kg in 2009. This is fundamental to reducing the environmental impact of pig production and delivering the objective of helping industry reach a par with the main EU competitors. Our knowledge transfer has focused on health and weaning at the 2TS conferences as well as providing practical advice on breeding and finishing through business clubs, workshops and producer clubs. The top 10% of English producers have now reached the target, 12 months ahead of the deadline. However, average performance for the English herd is still 300kg short.
- Skills development is one of six pillars within the 2TS campaign and during the past year more than 60 people have participated in BPEX-led skills development workshops and 50 certificates of competence have been achieved. A review of the skills development strategy took place in 2011. Having developed a suite of training and skills development during the past five years, the focus of the new strategy will be recruitment, retention and recognition of skills development.
- We broadened the range of business relevant prices, facts and figures provided to customers. BPEX also launched a webinar to provide a more convenient way to participate in and interact with presentations, workshops and discussions without having to travel. Feedback on this has been overwhelmingly positive.
- A new electronic pig movement service for England and Wales was launched in October 2011. The service, delivered in partnership with AHVLA and funded by Defra, provides real time communication of pig movements in England and Wales as well as timely feedback of Food Standards Agency Carcase Condemnation and Inspection Reports (CCIR). The service will also provide Defra with a national pig herd register and enable more effective response to exotic disease outbreaks.

## DairyCo Division – supporting the milk industry in Great Britain

During the year, the work of our DairyCo division made a significant contribution to the improved business performance and efficiency on British dairy farms. Our increased investment in dairy research through the launch of new research partnerships, recognised the importance of contributing further to the industry's research capability.

We communicated and engaged with more dairy farmers and other industry stakeholders than ever before which ensured they had access to the full range of DairyCo services. Through our consumer activity we also helped to maintain the good image that dairy farming has among the British public.

### Delivery highlights for 2011/12

- Our AHDB Market Intelligence (MI) team analysed and interpreted markets which provided our levy payers with high-quality, regular and relevant unbiased dairy market information.
- Our highly valued *Milkbench+* benchmarking service met our uptake targets of 482 farm data sets entered. This robust data enabled us to produce the first *Milkbench+* report which achieved significant media coverage by highlighting critical factors for profitable milk production.
- Two new research partnerships went live in 2011. Within each partnership, valued at £500,000 per year, there are 12-15 individual research projects. The Nottingham-led partnership covers health, welfare and nutrition and the Scottish Agricultural College (SAC) partnership covers soils, grass and forage. This approach has enabled us to benefit from access to increased research expertise and to link to non-levy funded research programmes which add further value to the partnerships.
- We published findings from 'Carbon footprinting' audits from a representative sample of over 400 dairy farms, helping farmers to identify key areas for improvement. This has demonstrated the industry's commitment to tackling further reductions in GHG emissions and provides a benchmark to track future progress.
- To maximise value to the levy payer, we accessed Regional Development Agency funding to support regional delivery of knowledge transfer programmes. We co-funded three new projects with our beef and lamb division (EBLEX). A previous joint initiative, providing training to vets on the *Control of Worms Sustainably* (COWS), was extended to deliver information to farmers in a series of three meetings across the East Midlands region.
- The CPD project has progressed well. The grant from Defra of the residual Milk Marketing Board (MMB) funds, supported by levy funding, has allowed a GB-wide dairy industry CPD scheme to be planned with industry-wide support.
- Uptake of the DairyCo *Mastitis Control Plan* exceeded the target with 954 farms enrolled on the scheme. Herds adhering to the programme showed a 10% to 15% reduction in mastitis infection rates.
- Our Mobility Score system is now the industry standard for assessing lameness and forms part of the DairyCo Healthy Feet Programme which was launched at the 2011 Dairy Event and Livestock Show. A group of trained "mobility mentors" delivered customised programmes for dairy farmers to reduce and control lameness. Through a formal assessment process this programme ensures the most significant problems are identified and tackled effectively. Uptake has been strong and all delivery targets for the first year were exceeded.
- *Planning for Profit* workshops have proved to be both popular and effective with farmers. Nine courses were run this year using 11 tutors of the highest calibre. Workshop participants have reported short-term and long-term benefits to their dairy farming operations.
- Our *Breeding+* programme continues to enhance its services to assist the UK breeding industry. Three updates to international genetic evaluations were conducted and published. Uptake of the genetic indexes we produce continued to grow and monitoring of the average genetic merit of sires used on farm showed an increased trend and exceeded the target.
- A project commissioned with Promar International to highlight the financial benefit of using good quality genetics generated a great deal of industry interest. This work was backed up by a separate review conducted by AbicusBio (New Zealand) in conjunction with SAC, which showed that 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.
- The strategy to secure Genomic evaluations has delivered a partnership with North America and Italy. The first evaluation using genomic data was tested ahead of the first run incorporating the new data. The potential for increased rates of genetic gain using genomics is yet to be realised but expectations remain high.
- The Partnership Agreement arrangement which AHDB/DairyCo has with the Welsh Government (WG) was externally evaluated and received an excellent report. The arrangement continued with some change in delivery partners, following the WG decision to re-tender the Farming Connect contracts.
- We continued to develop and deploy robust evidence-based media statements covering a range of topics to correct factual inaccuracies and support the industry. This has helped the industry to better inform the public through print, television and radio coverage.
- The consumer website [www.thisisdairyfarming.com](http://www.thisisdairyfarming.com) achieved its target of Google first page rankings for relevant search terms. This factual website features short video pieces from farmers and experts explaining how modern dairy farming works.

## EBLEX Division – supporting the beef and lamb industries in England

Our EBLEX division has two overarching aims:

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

In broad terms, this includes activity on research and development, knowledge transfer, marketing, market to clear information and trade development, as well as acting as a knowledge house for the sector.

Responding opportunities and threats in the sector, EBLEX invested the 18% levy increase agreed for 2011/12 in two key areas: developing exports in new markets and better communicating the benefits of red meat. Both work streams have shown tangible benefits for levy payers.

### Delivery highlights for 2011/12

- An ongoing focus on increased market access for exports has now seen EBLEX help to open around 40 non-EU markets for English producers and processors. This work helped lamb exports rise by 11% and beef exports go up by 32% with the total export value for 2011 reaching £856.6 million.
- Defending the image of red meat continued to be a challenge and, together with the pig division, BPEX, we restructured our red meat and health programme dedicated to ensuring positive evidence-based messages are targeted at key influencers. The result has been vastly improved positive red meat coverage in the media, turning from five negative stories to every one positive in late 2010, to less than one negative story to every positive story by March 2012.
- Working together with our BPEX colleagues, we commissioned an independent report to look at the value a thriving red meat sector brings to the English economy, highlighting the important part it is playing in the economic recovery. The Real Value of English Red Meat was presented to MPs and Peers in Westminster in February 2012 and showed a net contribution of £1.7 billion per year.
- Practical advice to producers on how to lower the carbon footprint of their enterprise was highlighted in the third chapter of our beef and lamb environmental roadmap work – *Down to Earth*. This was launched in Westminster in January 2012 and was used to inform the knowledge transfer work delivered through our *Better Returns Programme (BRP)*. It also linked to the Dairy industry environmental roadmap.
- To inform the debate on climate change and illustrate the dramatic effect that a significant fall in grazing livestock numbers could have on the English countryside, we commissioned an independent organisation to produce the *Landscapes without Livestock* illustrated report. It was launched with a week-long exhibition in Westminster, attended by MPs and Peers, and has added to the knowledge and stimulated debate on the issue.
- Our beef and lamb press office dealt with more than 120 different issues via enquiries from the media in 2011 and proactively issued more than 100 press releases and 24 briefings. This generated coverage worth over £2.1 million (from April 2011 to end February 2012) focused on the trade press, online and farming-specific broadcasts such as BBC Farming Today and Countryfile.
- A Christmas promotional campaign geared around Red Tractor beef and lamb and fronted by actor Will Mellor delivered £1.03 million of Advertising Value Equivalent (AVE) media coverage. Entitled *A Father's Christmas*, it reached 49 million adults and included online cooking videos and a virtual cooking school.
- Our knowledge transfer '*Better Returns Programme*' hosted 267 levy payer events during the financial year, with the attendance of nearly 6,800 producers. Of these, 147 focused on stock selection and 64 involved abattoir 'live to dead' days organised to improve producers' understanding of the market place and their selection of stock to meet requirements.
- Our consumer-facing activity under the theme of *Simply Beef and Lamb* launched a new website as part of an online marketing plan. The site integrates with the new style *Simply Booklet*, launched in March 2012. Since going live, the site has averaged 41,320 visitors a month, with Google search engine optimisation working so effectively that we have been able to cut spending on pay per click online advertising.
- Consumer research commissioned by us in October 2011 showed a positive response to a range of new lamb cuts aimed at the domestic market, including the topside, silverside and Victoria shoulder roasts, three-bone racks and lamb shoulder rosettes. By butchering and retailing in the way prescribed, processors and retailers can deliver a 20% improvement in gross margins on carcasses.
- Research on pH targets in lamb has demonstrated the challenges faced by the industry in optimising post-slaughter conditions, such as electrical inputs and chilling rates, for the eating quality of sheep meat. This has enabled EBLEX to develop practical guidelines for abattoirs for the appropriate treatment of carcasses to optimise eating quality.
- Four of the main supermarket chains featured our *Come Dine 4 Free* competition on packs of beef and lamb in autumn 2011. Giving consumers the chance to win vouchers for ingredients for a meal for four, it saw above average entry rates after being promoted by Asda, Morrisons, Co-op and Budgens.

## HDC Division – supporting the horticulture industry in Great Britain

The work of our HDC division was aimed at commissioning and managing an applied research programme to address current and future crop protection and production problems identified by commercial horticultural producers in Great Britain. We also undertook a wide range of communications and knowledge transfer activities, continued our EAMU (SOLA) programme, and contributed evidence on behalf of the industry in key policy debates from peat use to plant health and pesticide minor use issues within European pesticide legislation.

We have done much work over the last year in defining a forward-looking strategy for our horticultural work that will turn HDC into a more proactive operation, in control of our own research agenda. We are now better placed to help the industry move forward in the coming years.

### Delivery highlights for 2011/12

- *Project CP 77: SCEPTRE (Sustainable Crop Protection Targeted Research for Edibles)*. Initiated by HDC under HortLINK (jointly funded by industry and Defra), we are investing £660k over four years in this flagship project. In the first year, we screened 76 conventional pesticides and 80 biopesticides. Potential new control products have been identified for 13 pest targets on 12 crops across all edible sectors. These are significant steps to safeguard the future crop protection armoury for UK horticulture.
- *Project FV 370a: Wild Rocket: N response studies to manage and reduce nitrate levels* sought to save the viability of a crop with a UK retail value of £45m since over half of crops sampled in 2010 exceeded proposed new EU restrictions. Our investment of £30k secured this market by giving clear agronomic advice keeping nitrate within legal limits.
- *Project FV 307a: Reducing herbicide use in row crops with targeted application methods*. A HortLINK project (jointly funded by industry and Defra) including both HDC (investing £70k over four years) and Potato Council, this project is revolutionising weed control in row crops (including onions and leeks) using a novel vision-guided system for herbicide application.
- *Examples of key field vegetable knowledge transfer outputs*: working with carrot growers, we identified carrot viruses as an industry issue. HDC organised a grower meeting with key researchers, then produced and distributed a factsheet on the topic to carrot growers. We have also continued with our popular Crop Walkers' Guides, for example working with the Processors and Growers Research Organisation (PGRO) to produce a Pea and Bean Crop Walkers' Guide. All these publications are free to levy payers.
- *Project SF 74: Integrated pest and disease management for high quality protected raspberry production*. The value of the UK raspberry market is currently £102m, but is threatened if pesticide residues in fruit continue to be an issue. Investing £145k over 6 years as a partner in a HortLINK project (jointly funded by industry and Defra), we have helped researchers develop control techniques for key pests and diseases that will reduce the reliance upon conventional pesticides and hence reduce residues.
- *Project CCP 041: Rot risk assessment DVD for the apple industry*. Apples often develop fungal rots in store, amounting to £2m in lost annual revenue to the industry. We invested £21k in a training DVD for those involved in fruit production and storage, allowing them to assess and manage orchards for the risk of rots occurring in store, reducing fruit losses.
- *Project M58: MushTV: Solutions for the mushroom industry to emerging disease threats from Trichoderma and Virus*. We are partners in this three-year project funded by the EU Seventh Framework programme. For a modest in-kind HDC input, this gives mushroom growers access to €2.5m of research done across Europe. We will communicate the research outputs to growers.
- *Project CCP 023b: Growsave*. Targeted on promoting efficient energy use in horticulture, we have invested £85k over two years in this multi-media project, which includes a website, training workshops, annual conferences, HDC Energy Newsletters and technical bulletins. A vital resource for growers looking to minimise their energy costs.
- *Controlling downy mildew control on Impatiens*. Worth £40m a year, *Impatiens* production is threatened by a strain of downy mildew resistant to all fungicides – a worldwide issue in 2011. We have worked with key industry stakeholders from propagators to retailers to create and communicate industry agreed best practice to deal with the situation and get the message across to growers and retailers.
- *Project BOF 63: Integrated control of bulb-scale mite in narcissus*. Bulb scale mite is a significant issue for daffodil and narcissus producers. HDC invested £79k over three years as part of a HortLINK project (jointly funded by industry and Defra) to investigate how best to improve control of the mite. As well as existing hot water treatment, we found that biocontrols could also be effective. Reduction in bulb scale mite losses are anticipated which will help expand export markets, perhaps by as much as £500k/year.
- *Project PO 005: Column stocks: Investigation into the causes of poor establishment, growth and flower uniformity*. We invested £14k this year in investigating uneven establishment of stocks. We have worked in close collaboration with leading growers in this £2.6m business. Two key problems identified by a survey are being studied, and a dynamic collaboration has emerged between key growers facilitating information-sharing and increased critical mass for negotiations with young plant suppliers.
- *Project PC 296: Examining the lighting requirements for day length control to assess the suitability of energy saving bulbs*. We have invested £131k over two years to investigate the use of compact fluorescent lamps and LEDs as alternatives to tungsten lamps. We found that current alternatives need to be carefully selected to generate the results currently achieved with tungsten lamps. These findings have potential to save businesses significant amounts both on setting up lighting and in minimising waste resulting from inadequate photoperiod control.

## HGCA Division – supporting the cereals and oilseeds industry in the United Kingdom

Drought, increasing global demand for grain and the drive to secure sustainable production continued in 2011/12 to pose long-term challenges for the cereals and oilseeds industry. The UK also saw increasing consolidation in the commercial sector, with several well-known companies developing strategic alliances during the year in response to changing market conditions.

Our HGCA division responded to these challenges by investing last year's 15% levy increase in applied and strategic research projects and in front-line activities designed to improve information flow across the supply chain.

### Delivery highlights for 2011/12

- Feedback from growers at Cereals 2011 resulted in a number of presentational changes to the 2012/13 *Recommended List*, including more detailed regional information on disease risk and varieties. Twenty-eight varieties were added to the List last year, including Crusoe, the first new nabim Group 1 wheat for a decade.
- Two strategic research calls on soils and weed management were launched during the spring, with a total value of £1.9 million over three years. AHDB/HGCA also commissioned work to develop a protocol enabling growers to calculate their on-farm carbon footprint, and worked with Defra on a joint project to investigate the yield plateau in wheat.
- The past year also saw us take the lead on facilitating an industry-wide project to move the grain passport to an electronic platform, paving the way for a better flow of information between grower and processor. Work began on a feasibility study and a series of industry consultation meetings which will report back in late spring 2012.
- Growers and processors came together in a series of 15 of our *Meet the Processor* events held during the Autumn. Involving millers, maltsters and exporting facilities, the events gave both sides a unique opportunity to discuss topical issues such as product specification, sources of supply and information feedback in a non-contractual setting.
- Farmhouse Breakfast Week – with its theme of *Shake Up Your Wake Up* - continued to go from strength to strength in January 2012 generating the equivalent of £2.8 million in editorial coverage. The campaign's focus on social media as a route to its target audience of young mothers resulted in over 1,000 posts on blogs and Twitter.
- Farmhouse Breakfast helped the College of Agriculture, Food and Rural Enterprise (CAFRE) celebrate its centenary at its Greenmount campus, and saw us working with schools, individuals and organisations across the country to deliver almost 1,000 events and promotions, including 17 Welsh breakfast-themed events, and 47 events in Scotland.
- We followed up the launch of the AHDB Education Strategy with a series of four teacher conferences in Belfast, Manchester, London and Glasgow. These were held with National Association of British and Irish Millers (nabim) to highlight educational material on cereals available through the revised [www.grainchain.com](http://www.grainchain.com) website.
- Last year saw a refreshing of the eight-year-old *ukp* and *uks* export logo livery which was relaunched to the industry. Our export arm, *British Cereal Exports* (BCE), led its first successful inward mission to Algeria – a country which was also represented at our February 2012 Bread Baking Workshop. This event gave delegates, representing countries with a potential import requirement of 20 million tonnes, the opportunity to bake their national breads using *ukp* and *uks* wheat.
- Events for growers, agronomists and processors remained a mainstay of our HGCA activity during the year, with two conferences alongside 43 seminars and workshops. Our series of agronomy workshops in Scotland with SAC continued to prove popular, and a joint presence at AgriScot with HDC and Potato Council, our horticulture and potato divisions attracted a strong and diverse grower audience.
- We also joined forces with other AHDB divisions on a number of cross-cutting research and knowledge transfer projects, contributing to the industry's Greenhouse Gas Action Plan and Natural England's Catchment Sensitive Farming initiative. Together with colleagues from DairyCo and the National Farmers Union we also worked on a series of detailed case studies for Defra's Green Food Project.
- Developing an effective social media presence for levy payers was a key aim for the HGCA communications team, which ended the year with over 1,300 followers on Twitter and a dedicated Facebook page. Videos from October's Grain Market Outlook Conference featuring presentations from our AHDB Market Intelligence team were posted online and were viewed over 3,400 times. This meant the content was available to a significantly larger audience than the 200 delegates who attended.
- A mobile version of the markets section on our website, [www.hgca.com](http://www.hgca.com), was launched at the Grain Market Outlook Conference to meet the increasing demand for prices to be accessible via smartphones. Since its launch, the number of pages viewed via smartphones has increased four-fold to just over 8,000 a month.

## Potato Council Division – supporting the potato industry in Great Britain

Against a backdrop of economic hardship, high inflation and challenging growing conditions during 2011/12, our Potato Council division focused on two core strategies:

1. to improve the industry's competitiveness
2. to sustain consumer demand for potatoes.

We also continued to increase our engagement with potato levy payers by restructuring our field and regional grower meetings. Both footfall and positive feedback have improved on previous years with a notable 6,000 delegates joining us for BP2011 in Harrogate. Alongside the face to face activity, we have launched a new website which provides the platform for new decision support tools for levy payer use. Our role as the knowledge house for the potato industry has developed with the introduction of new peer reviewed evidence bases for sustainability and nutrition along with a collection of global best practices for responding to emerging plant health threats.

### Delivery highlights for 2011/12

- *Educating children:* 13,000 schools took part in our primary education programme reaching nearly 500,000 children. The cost to reach each child was just 29p for 14 weeks learning about potatoes and trying their freshly dug crop. Education activities have been extended into secondary schools and increased value has been delivered through the development of a cross-sector AHDB Education Strategy.
- *Growing overseas trade:* Following an extended period of frost in Britain and challenging unrest in North Africa, we conducted emergency trade missions to Egypt in conjunction with Scottish Government (SG). We negotiated an extension to the usual trading window which resulted in an extra £670k worth of trade into the region and helped the industry achieve in excess of 100,000 tonnes of seed exported.
- *Saving water:* In addition to commissioned research (£480k investment, over eight years) on the integration of precision irrigation and non-water-based measures to suppress common scab, we published guidance 'Managing the Risk of Common Scab' to promote efficient use of irrigation and reduce losses, supported by in-field events. Our work shows that an estimated 14mm of irrigation could be saved by more carefully targeted irrigation during the common scab control period, which equates to potential savings of up to £2.2 million over the total planted area.
- *Connecting with shoppers:* Our EU co-financed campaign has allowed Potato Council to increase its investment in educating and inspiring younger consumers (aged 25 to 44) with 49% stating the campaign has encouraged them to eat more potatoes. It has delivered £10 of media coverage for each £1 invested and in total delivered 54 million opportunities to see the campaign message.
- *Upskilling the sector:* Our accredited meetings and events that deliver best practice for crop production and protection this year have allowed agronomists, advisors and farmers to collect more than 60 BASIS and 25 NRoSO points.
- *Informing key stakeholders:* We commissioned evidence about the value of potatoes for the health of the nation and as a sustainable food crop for GB. We have also held a round table event with key stakeholders to discuss how we can improve the positive messages of potatoes, with buy-in from nutrition experts. We will now build on our partnerships with Governments and experts, sharing our evidence with stakeholders in developing positive messaging to consumers.
- *Focusing on inputs:* Our Grower Collaboration project has been running for over five years bringing growers and researchers closer together to plan their agronomy. Adoption of best practice from our network of demonstration farms has resulted in potential savings in seed and fertiliser costs of up to £155/ha/yr.
- *Benchmarking energy use:* Managing cost is key to business viability. Our surveillance trials and online comparisons have revealed a wide range of potato storage costs and the reasons behind this have been assessed in detail. Sealing, fridge performance and airflow offer scope for cost reductions of up to £6/tonne.
- *Providing crop protection decision support:* our aphid flight monitoring and alert service allowed growers to schedule aphid sprays and alternate control products in line with the estimated threat of virus spread. Those using less expensive products in low risk conditions saved £40/ha. This amounts to a potential saving of £440, 000 per annum if adopted across the industry.
- *Tackling weeds:* Changes in weed control as a result of EU pesticide reviews would have resulted in additional costs to the industry of £13.5m per annum. Modified herbicide strategies derived from our research have been evaluated and a conservative estimate of uptake of advice (based on 10% of Linuron treated area) shows that a £390k per annum cost to the industry of additional hand weeding has been avoided.
- *Managing residues:* Stewardship of Chlorpropham (CIPC) has continued with active Potato Council engagement with industry stakeholders to protect the availability of this crucial sprout suppressant. In bulk potato stores, research had identified that the use of variable frequency drives for ventilation management reduces the risk of high CIPC residues. This project work had a calculated cost benefit of 1:6.2. At the end of 2011, it was estimated that industry has upgraded approximately 400 stores at a cost of £1.4 million to take advantage of these findings.
- *Informing businesses:* Potato Weekly continues to be the main form of communication of our Market Intelligence (MI) messages to our potato levy payers, with around 2,500 subscribers. Feedback on the publication is also encouraged, with a total of 83% of respondents to a recent MI survey indicating that they found Potato Weekly "very useful" or "moderately useful" to their business.



## Performance against targets set within the published AHDB Business Plan 2011-14

KPI – target	Owner	Performance	Flag
<b>AHDB Objective 1: Deliver value for money for levy payers in everything we do</b>			
At least three Horticulture research areas let by tender by March 2012 and mechanisms agreed with Defra, SG and BBSRC to ensure regular liaison	Horticulture	One tender for nutrition work in hardy ornamentals has been let and one on demonstration of the benefits of spectral films is in progress. Others have been delayed as the timetable for developing HDC's strategic programme (where the majority of work will be let) has been revised. Liaison with other research funders has been done under the auspices of the Horticulture Round Table, which is developing proposals for a Horticulture Research Partnership	Behind target
Raise levy payer and stakeholder awareness of value for money by reporting Potato levy match-funding and cost benefit for activities	Potatoes	Cost benefit analyses undertaken against around 10% of expenditure demonstrate a 31-fold return on investment: published November 2011. New match funding of £3.35 million has been secured within the year along with £902k of EU and commercial income to support core activities	Delivered
DairyCo scores at least 3.7 out of 5 in value on the annual survey from farmers who know our services	Dairy	Survey results show 3.1 out of 5 from April 2012 farmer survey. Spontaneous awareness of those who can name at least one DairyCo service has increased from 61% to 73%	Behind target
Help deliver £400k procurement savings across AHDB over 2011/14	Beef/Lamb	Total £424,433 on a full year, with £131,702 attributable to the EBLEX division	Delivered
Increase pig levy payer awareness and appreciation of activity by 10% per annum as measured in annual survey	Pigs	Use of BPEX services by pig producers increased by 5% year-on-year from 71% to 76%. Overall service satisfaction score improved from 2.06 to 2.05 (1=excellent, 5=very poor)	Behind target
Increase stakeholder satisfaction score by 5% per annum as measured in annual stakeholder survey	Cereals	An initial survey was conducted with stakeholders in December 2011, following the Levy Payer segmentation exercise. Overall, levy payer satisfaction on key areas of HGCA activity was measured at 68%	On track
Reduce Support Costs as a percentage of income by 1% year-on-year bringing it down to 12% by 2014	Corporate	The planned reduction as a % of income to 12% by 2014 is on target	On track
<b>AHDB Objective 2: Improve efficiency and productivity in the industry to help levy payers have thriving businesses</b>			
Measurable change (using Defra statistics) in output adjusted by crop area in some horticultural crops by March 2014	Horticulture	Baseline statistics will be Defra Basic Horticultural Statistics produced in 2011. These have now been published and the first assessment of changes in crop area will be possible when the 2012 data set is published later in 2012	On track
Potato R&D strategic review undertaken and findings published	Potatoes	Strategy review published following industry-wide levy payer and stakeholder consultation. New priorities have been identified along with new approaches to delivery, eg research fellowships	Delivered
Work with farmers on 10,500 occasions with 75% of those surveyed saying they are making changes in their business as a result of their interaction with us	Dairy	Worked with farmers on 16,629 occasions	Delivered
Improved carcass weights against number of lambs born, measured by kg of carcass weight per breeding ewe. And improved carcass weights for beef, measured against the age of slaughter by looking at kg carcass per day gain	Beef/ Lamb	Sheep: + 2.26% in 2011 when compared to 2010 Beef: + 1.74% in 2011 when compared to 2010.	Delivered
Deliver the 2 Tonne Sow (2010/11 average was 1.67 tonnes per sow per year) by year 3 as measured by Agrosoft	Pigs	Top 10% of producers averaged 2.06 tonnes per sow per year; top 1/3 averaged 1.93 tonnes per sow per year. Average producers achieved 1.701 tonnes per sow per year	On track
5% increase in cost benefit per crop tonne from HGCA-funded R&D by 2014	Cereals	A detailed evaluation of the past R&D programme was undertaken during the year. The cost benefit per tonne of the nitrogen programme was valued at £1.78/tonne. This has set the benchmark and a follow-up is being carried out to compare year-on-year changes	On track
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	A Microsoft project management system, Sharepoint, has been identified and piloted. Standard formats developed. Project is on track	On track
<b>AHDB Objective 3: Improve marketing in the industry to help profitability and customer awareness</b>			
Improve perception within pre/young family markets by 2% pa in attitudes towards: potatoes being healthy; likely to cook potatoes for weekday meal; convenience	Potatoes	Extensive TV and press activity undertaken throughout the year achieving >2% shift in attitude within target group	Delivered

KPI – target	Owner	Performance	Flag
70,000 publications/files from AHDB Market Intelligence downloaded/requested in 20011/12 giving dairy farmers access to high quality, unbiased market information	Dairy	Achieved 86,975 downloads/requests for Market Intelligence publications/files	Delivered
Options for collaborating on collation and dissemination of horticultural industry statistics agreed with Defra, PVGA and HTA by March 2012	Horticulture	The available horticultural Market Intelligence data was scoped and reported back to the HDC sector board	Behind target
Exports: sustain current lamb export percentage (30%), increase beef exports from 10% to 20% by end of 2012	Beef/Lamb	Lamb exports up 12% year-on-year – totalling 34% of production. Beef exports up to 18.4% of production, on target for 20% by end of 2012	On track
Increase differentiation of English and British pork and pork products through the use of Red Tractor – 5% per annum retailer uptake and establish and increase by 10% per annum consumer understanding of Red Tractor Pork	Pigs	Retail uptake of 'British' pork products declined from 85% in March 2011 to 83% in January 2012. Over the same period, retail stocking of products labelled Red Tractor fell from 77% in 2011 to 69% in January 2012	Behind target
Increase tonnage grown on forward contracts by 5%	Cereals	The December 2011 Intentions survey gave a benchmark of 16% of growers that were surveyed sell their output via forward contracts	On track
Market Intelligence forecasts are within 5% of actuals	Corporate	On the two key levy income forecasts we were under 3% on one and over 5% on the other	Behind target
<b>AHDB Objective 4: Improve services that the industry provides to the community</b>			
Outputs from HDC/HTA KTP project implemented by industry by March 2013; success of Horticulture studentship programme measured by employment status of completed recipients of studentships	Horticulture	Follow-up work to KTP project being commissioned to ensure industry roll-out in 2012/13. HDC studentship conference held on 5 and 6 July 2011, attended by potential horticultural employers	Delivered
Achieve Google first page rankings on relevant search for <a href="http://www.thisisdairyfarming.com">www.thisisdairyfarming.com</a> to maintain or improve the public perception of dairy farming	Dairy	Rankings maintained on first page	Delivered
Increase access to digital information by 100%	Beef/Lamb	9,336 market section page views in Jan 2012 compared to 4,249 April 2011 – 120% increase	Delivered
Increase industry participation in accredited training programmes by 10% pa	Pigs	Participation in the Stockman Development scheme increased by 200% from 20 to 60. The PMDS management course participation remained the same as the previous year at 10. The certificate of competence course had 50 participants	Delivered
Develop, communicate and deliver the agricultural training facility at the Sutton Bridge Crop Storage Research centre to meet EMDA training targets	Potatoes	EMDA yearly audit achieved with all milestones met including delivery of 549 man-days of training	Delivered
10% increase in hits to <a href="http://www.grainchain.com">www.grainchain.com</a> – this target was changed to 10% increase in the proportion of website visitors accessing key information	Cereals	2.275 million hits in 2011/12 for crop research, varieties and markets pages. 9.5% increase on 2010 figures	Behind target
Evaluate skills shortages versus labour shortages within the industry to gauge what AHDB support is necessary	Corporate	Agri-Skills AHDB project team set up. AHDB has been invited to tender for RDPE funding which would enable us to move the Agri-Skills AHDB agenda forward in 2012-13 with a dedicated Project Manager	Delivered
<b>AHDB Objective 5: Improve ways in which the industry contributes to sustainable development</b>			
Establish benchmarking process for carbon footprint on-farm, water footprint for beef and lamb and waste in abattoirs	Beef/Lamb	400+ enterprises recruited for the Stock take project, also to be involved in carbon footprint benchmarking. Water and waste projects to follow.	Behind target
Reduction of at least 10% in carbon footprint of horticultural business by Mar 2014	Horticulture	Baseline data will be derived from project CP 69, which has established carbon footprints for some key horticultural crops including tomato, bulbs and lettuce. The publication of this report has been delayed following the death of Professor Gareth Edwards Jones who was the project lead	Behind target
Commission new research on potato crop agronomy that addresses the need to manage soils sustainably and exploit water and nutrients efficiently	Potatoes	Review of sustainability undertaken and new research programmes commissioned for: soil workability; optimised seed states; water and disease management; late season water management; best use of cover crops	Delivered
Audit at least 400 dairy farms to establish the Carbon footprint and monitor in each of 3 years for improvement in response to changes in management based on audit	Dairy	Carbon footprint report for 415 farms published in December 2011. Six farmer case studies completed	On track
Develop and promote a Life Cycle Analysis (LCA) tool for producers – establish on 20 pilot farms in year 1 and in use on 500 farms by end of year 3	Pigs	LCA pilots were commissioned on a limited number of farms. Tool development delayed and likely to become part of a wider AHDB initiative	Behind target
1 million hectares of land represented at HGCA events	Cereals	From surveys at events it is calculated in excess of 1,000,000 hectares were represented at HGCA events	Delivered
Support delivery of the agreed set of actions within the Voluntary Industry Greenhouse Gas Action Plan over the next two years	Corporate	Established a pilot "iHub" (electronic retrievable repository of technical documents on GHG emissions reduction from crop and livestock production systems)	On track

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

## Meat & Livestock Commercial Services Limited and other trading subsidiaries

The 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.

2011/12 was a tough trading year and the management team worked hard to counter this through the development of new business opportunities, particularly in the Authentication and Equipment division.

A review of the structure of the business was undertaken for implementation in 2012/13.

### Delivery highlights for 2011/12

- Our independent carcase classification service has continued to add value to the meat supply chain. This is underlined by significant increases 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). This was the result of obtaining 10 new contracts during the course of the year.

	2006/07	2007/08	2008/09	2009/10	2010/11	2011/12
<b>Cattle</b>	71.2%	72.1%	80.4%	81%	83.9%	90%
<b>Sheep</b>	42.5%	38.5%	42.9%	60%	58%	68%
<b>Pigs</b>	60.9%	61.9%	65.6%	70%	76.7%	82%

- A significant number of 'selection of cattle for slaughter' training events were delivered at abattoirs and auction markets on behalf of the EBLEX Beef 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 which provides an auditable stun process for abattoirs. During the year, interest in the product increased as a direct result of legislation. It will become a legal requirement for all abattoirs to have the equipment installed from 2013.

- The closed-circuit television (CCTV) systems which we first marketed in 2010/11 to aid abattoirs with animal welfare, humane slaughter and food hygiene compliances, achieved some promising sales.
- A new pH/temperature probe system has been developed and MLCSL has signed an agreement to market and develop the system which will be the first web-enabled system capable of data capture in abattoir fridges and thereby provide valuable information to the operator.
- The auditing team were successful in securing a contract to work with AHDB's pig division on the Pig Electronic Animal Movement Licences and now has eight staff, based at Stoneleigh Park, processing over 3,000 movements every week.
- Our consultancy team once again completed several projects designing new abattoirs, cutting plants and farm shops throughout the UK. MLCSL also undertook projects that looked at the beef export supply chains, 5th quarter products, spinal cord splitting, food packaging and infrared spectroscopy.

## 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 NDPB sponsored by Defra, created on 1 April 2008. The functions, responsibilities, assets and liabilities of the British Potato Council (BPC); Home Grown Cereals Authority (HGCA); Horticultural Development Council (HDC); the Meat and Livestock Commission (MLC) and the Milk Development Council (MDC) 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 was made on 28 February 2008.

AHDB's statutory purpose is defined in the AHDB Order 2008 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's mission is to provide to the agriculture and horticulture sectors 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 28 to 32.

## 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; or a Ministerial decision to withdraw one or more statutory levies. 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 – 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 a surplus of £5m for the year. Excluding transactions relating to the defined benefit pensions schemes, the surplus was £3.6m, against a budgeted surplus of £0.7m. The majority of the excess is due to income exceeding budget, particularly in EBLEX, HGCA and HDC. The additional surplus has served to rebuild AHDB's reserves up to its desired level and into line with its Reserves Policy more quickly than originally anticipated and enables direct expenditure plans for the next three years to increase, as displayed in the three-year Corporate Plan, available on the AHDB website. A reserve on the Accumulated Fund (Income and Expenditure Account) of £16.2m is carried forward.

## Pension schemes

AHDB, in accordance with Government Financial Reporting Manual for the year ended 31 March 2012, 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 the MLC and HGCA with recognition of pension assets of £2.0m and liabilities of £0.4m respectively in the AHDB Statement of Financial Position. These assets and liabilities are owned by the MLC and HGCA Pension Schemes and, in accordance with the Pension Scheme Surpluses (Valuation) Regulations 1987, are not available to AHDB.

## Fixed assets

Two of AHDB's freehold properties are held for resale and have 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 for the year ended 31 March 2012. 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 2012, days lost through sickness equated to 3.67 days per full time equivalent employee, or 1.41% of total attendance (2011: 1.46 days, 0.56%).

Details of AHDB Board members and statutory committees are shown on page 5. Sector board members are shown on pages 74-75.

### **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 2012, the amount owing to trade creditors equates to 19 days' purchases outstanding (2011: 19 days).

### **Environmental issues**

AHDB is working towards establishing its own environmental targets. These 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 planned until sometime during the year ending 31 March 2014, targets will be agreed and measures monitored for year ending 31 March 2013 and beyond.

### **Sustainability report**

**Introduction and performance summary:** Sustainability is right at the heart of the solutions we deliver for our levy payers. 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. 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.

**Future strategy:** It was agreed at the AHDB Board Meeting on 27 March 2012 that AHDB needed to establish baseline data to enable strategies and targets to be put in place to improve sustainability, where appropriate. During 2012/13 we will be putting in mechanisms to capture and report emissions from the following:

- Scope 1 (direct) emissions – our leased vehicle fleet and estate boilers.
- Scope 2 (energy indirect) emissions – our purchased electricity.
- Scope 3 (other indirect) emissions – staff business travel by non-AHDB-owned transport, our use of water and our purchases of paper.

**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.

**Other areas of sustainability:** For the period 2011/12, AHDB has no data to report on its greenhouse gas emissions, finite resource consumption or sustainable procurement.

### **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 18 June 2012.

# Remuneration report

## Membership of the Remuneration Committee

Membership of the Remuneration Committee consists of four AHDB Board members appointed by the Board. The Chairman of the Committee – Lorraine Clinton – is an independent AHDB Board member. The other members of the Committee as at 31 March 2012 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 Committee's function is to:

- Make recommendation to Defra on the remuneration of 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 – in particular, the ongoing recruitment of the senior executive team based at Stoneleigh
- Advise the Board, in consultation with the Chief Executive, on the proposals for any annual review for staff in general.

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

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 2012. 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 starters and leavers during the year, as detailed in the contracts of employment section below, remuneration is stated for the period in post only.

	For the year ended 31-Mar-12					For the year ended 31-Mar-11
	Basic salary	Bonus	Relocation paid	Benefits in kind	Total	Total
	£'000	£'000	£'000	£	£'000	£'000
Tom Taylor: Chief Executive (Start date 1-May-10, equivalent annual salary 2010/11: £145-£150k)	145-150	10-15	-	9,000	165-170	145-150
Kevin Roberts: Chief Executive (Leave date 2-Apr-10) (Note 1)	-	-	-	-	-	225-230
Richard Lowe: Acting Chief Executive (Start date in role 3-Apr-10, end date 30-Apr-10) (Note 1)	-	-	-	-	-	100-105
Nick Allen: Director of EBLEX Sector	70-75	5-10	-	9,300	85-90	85-90
Guy Attenborough: Head of Communications (Start date in role 07-Sep-10, equivalent annual salary in 2010/11 £70k-£75k)	70-75	5-10	-	9,600	85-90	40-45
Ken Boyns: Director of DairyCo Sector (End date in role 31-Oct-10): Director of Market Intelligence (Start date in role: 01-Nov-10)	80-85	5-10	-	9,200	95-100	95-100
Andrew Birnie: Director of Market Intelligence (End date 31-Oct-10)	-	-	-	-	-	55-60
Rob Clayton: Director of Potato Council Sector	65-70	5-10	-	6,500	75-80	70-75
Ian Crute: Chief Scientist	100-105	5-10	45-50	9,200	165-170	110-115
Jackie Dubery: Director of Human Resources and Corporate Services	80-85	5-10	-	8,600	100-105	90-95
Bernadette Garvey: Interim HR Director (Leave date 30-Apr-10, equivalent annual salary £80-£85k) (Note 1)	-	-	-	-	-	140-145
Rebecca Geraghty: Director of HGCA Sector	65-70	5-10	-	6,300	75-80	75-80
Chris Goodwin: Director of Finance and Business Services (Start date 28-Feb-11, equivalent annual salary in 2010/11 £80k-£85k)	80-85	0-5	-	8,000	90-95	5-10
Shaun Tillery: Director of Finance and Business Services (End date in role 5-Sep-10)	-	-	-	-	-	95-100
Bill Parker: Director of HDC Sector	65-70	5-10	-	7,200	75-80	75-80
Duncan Pullar: Director of DairyCo Sector (Start date in role 1-Nov-10, equivalent annual salary in 2010/11 £70k-£75k)	70-75	0-5	-	6,800	75-80	30-35
Mick Sloyan: Director of BPEX Sector	85-90	5-10	-	10,900	100-105	100-105

Note1: As reported last year, redundancy payments were paid to Kevin Roberts, Bernadette Garvey and Richard Lowe in the year ended 31 March 2011. There were no payments made in respect of compensation for the termination of any contracts for senior executive AHDB staff in 2011/12.

Note 2: An interim Director of Finance, Janice Smith, was provided by an agency from 13 Sept 2010 to 11 March 2011. Payments made to the agency in respect of the employment totalled £68,200.

## 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 2012.

	Contract start date	Contract expiry date	Contract notice	Unexpired term
Tom Taylor, Chief Executive	1-May-10	Indefinite	6 months	Not applicable
Nick Allen: Director of EBLEX Sector	1-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	1-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	1-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	1-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	1-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 2012.

	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%
Ken Boyns: Director of Market Intelligence	Dairyco Defined Contribution Scheme to 31/10/2011	5.0%	12.5%
Ken Boyns: Director of Market Intelligence	AHDB Group Personal Pension Plan from 01/11/2011	5.0%	12.5%
Rob Clayton: Director of Potato Council Sector	PCL Defined Contribution Scheme to 31/10/2011	3.5%	6.5%
Rob Clayton: Director of Potato Council Sector	AHDB Group Personal Pension Plan from 01/11/2011	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 to 31/10/2011	5.0%	10.0%
Jackie Dubery: Director of Human Resources and Corporate Services	AHDB Group Personal Pension Plan from 01/11/2011	7.0%	10.0%
Rebecca Geraghty: Director of HGCA Sector	HGCA Defined Benefit Scheme to 30/06/2011	3.0%	20.7%
Rebecca Geraghty: Director of HGCA Sector	HGCA Defined Benefit Scheme from 01/07/2011	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 to 31/10/2011	4.0%	8.0%
Bill Parker: Director of HDC Sector	AHDB Group Personal Pension Plan from 01/11/2011	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 2012.

	Total accrued pension			Cash equivalent transfer value		
	Annual entitlement as at 31-Mar-12	Real terms inc in year	Annual entitlement as at 31-Mar-11	As at 31-Mar-12	Real terms inc in year	As at 31-Mar-11
	£'000	£'000	£'000	£'000	£'000	£'000
Nick Allen: Director of EBLEX Sector	15-20	0-2.5	15-20	220	6	195
Guy Attenborough: Head of Communications	10-15	0-2.5	10-15	151	5	137
Rebecca Geraghty: Director of HGCA Sector	10-15	0-2.5	10-15	214	8	113
Duncan Pullar, Director of DairyCo Sector	15-20	0-2.5	10-15	169	18	143
Mick Sloyan: Director of BPEX Sector	45-50	(0-2.5)	45-50	733	(15)	669

## 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 2012.

	Employer's contributions	
	For the year ended 31-Mar-12	For the year ended 31-Mar-11
	£'000	£'000
Tom Taylor: Chief Executive	15	14
Ken Boyns: Director of Market Intelligence	10	10
Rob Clayton: Director of Potato Council Sector	5	4
Jackie Dubery: Director of Human Resources and Corporate Services	8	9
Chris Goodwin: Director of Finance and Business Services	8	-
Bill Parker: Director of HDC Sector	6	5

AHDB does not operate a pension scheme for ex-Potato Council and HDC employees. However, it does pay premiums at a defined rate of annual salary to an approved personal pension scheme acceptable to AHDB. All pension arrangements are the responsibility of the employee and AHDB has no liability for the performance of the selected scheme or the provision of any future pension.

### 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.

### 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 2011/12 was £167,500 (2010/11 – £227,500). The median remuneration of the workforce was £30,688, a ratio of 5.5 times (2010/11 – £29,301 – 7.8 times). The figure for the remuneration of the highest paid Executive for 2010/11 noted above included a redundancy payment made during the year of £218,000.

In 2011/12 and 2010/11, 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 2012. No other cash or non-cash benefits were provided to AHDB Board members.

	For the year ended 31-Mar-12	For the year ended 31-Mar-11
	£'000	£'000
John Godfrey (Chairman AHDB)	45-50	-
John Bridge (Previous Chairman AHDB)	-	90-95
Tim Bennett (Chairman DairyCo Sector Board)	45-50	45-50
Christopher Bones (Independent Director AHDB)	15-20	15-20
Neil Bragg (Chairman HDC Sector Board)	45-50	45-50
Lorraine Clinton (Independent Director AHDB)	25-30	30-35
John Cross (Chairman EBLEX Sector Board)	45-50	50-55
Clare Dodgson (Independent Director AHDB)	15-20	15-20
Stewart Houston (Chairman BPEX Sector Board)	45-50	45-50
Allan Stevenson (Chairman Potato Council Sector Board)	45-50	45-50
Jonathan Tipples (Chairman HGCA Sector Board)	45-50	45-50

The emoluments of AHDB's Board members during the year ended 31 March 2012 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.

With the exception of John Bridge and Allan Stevenson, all Board members had service contracts which commenced on 1 April 2008 for four years, to expire on 31 March 2012. John Bridge's contract commenced on 1 April 2008 for three years and ended on 31 March 2011. He was succeeded as Chairman by John Godfrey, appointed from 16 May 2011 until 31 March 2014. Allan Stevenson was appointed to the Board on 21 July 2008 for four years until 20 July 2012.

New contracts have been agreed for all Board members in office at 31 March, with the exception of Clare Dodgson who retired as at that date, for the following terms:

Tim Bennett	For two years until 31 March 2014
Christopher Bones	For one year until 31 March 2013
Neil Bragg	For two years until 31 March 2014
Lorraine Clinton	For two years until 31 March 2014
John Cross	For two years until 31 March 2014
Stewart Houston	For three years until 31 March 2015
Allan Stevenson	For one year until 31 March 2013
Jonathan Tipples	For three years until 31 March 2015

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



Agriculture & Horticulture  
DEVELOPMENT BOARD

# Agriculture and Horticulture Development Board Financial Section 2011/12

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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 the 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, the AHDB and 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 2011/12

I took over the role as Chief Executive of AHDB on 1 May 2010, also fulfilling the role of Accounting Officer within AHDB effective from that date. I have, therefore, been in post for the whole of the last full financial year. 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 and became operational on 1 April 2008. AHDB levy income comes under Treasury rules for the governance of public money. The Department for Environment, Food and Rural Affairs (Defra) acts as AHDB's 'sponsor' Government department. The AHDB Accounting Officer is accountable to Ministers and devolved administrations 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 have been thoroughly reviewed and further developed within AHDB for the year ended 31 March 2012, and up to the date of approval of the Annual Report and Accounts, and accords with HM Treasury guidance.

### Leadership

Leadership is given to the governance and risk management process via the AHDB Board, sector boards, the Audit Committee and the Senior Executive Team (SET). During the financial year ended 31 March 2012, 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 has been updated during the year. It 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. We introduced an updated risk management policy and procedures during 2010/11 which have been embedded throughout the organisation. This was done through a formal monthly review process (led by the SET Risk Management Committee) and through cascading risk management down through the organisation by holding formal training sessions for managers. 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. This risk appetite is also scrutinised under our Internal Audit procedures and audited on an annual basis by RSM Tenon. AHDB regards its appetite for risk as low. 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 is presented to each SET, AHDB Board and Audit Committee meeting. 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.

### **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 are under review for suitability and improvements will be recommended to Defra during 2012/13.

### **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, Sociological, Technological, Legislative 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 budgets, which are produced annually for the forthcoming 12-month period and underpin the three-year Corporate Plan as well as informing the annual financial budgeting process.

### **Procurement policy and protocol**

The procurement policy and protocol that was developed during the previous year has been fully adopted by the organisation as part of a phased implementation programme during the 2010/11 financial year. During March 2011, recruitment of the Procurement team was completed and procurement activities have been partly centralised during the year. Under the leadership of the Procurement Controller, the function is integrated with the rest of the organisation in employing best practice and met its clearly defined targets for the year 2011/12.

All purchases are now requisitioned and authorised using the Agresso management system and no invoices can be paid without a purchase order. All purchase invoices are paid within terms unless under query.

### **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 Director has been nominated as an Information Asset Owner (IAO) and is responsible for proper data handling within their area of responsibility.

During 2011/12, each division, both sector and corporate, has started to develop an Information Asset Register which will be reviewed by the Director of FABS and require each IAO to certify annually.

IAO's undertake a quarterly risk assessment and report through the AHDB Accounting Officer to Defra, as well as taking specific actions to reduce any identified risk. Furthermore, all staff within AHDB are required to participate 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 the remaining six who are also chairs of the sector boards. The members are appointed by Ministers and are listed on page 5. With effect from 1 April 2012, there is a vacancy for one Independent Board Member, for which the recruitment process is underway.

In keeping with the combined code on corporate governance, the Board has appointed three committees - Audit, Remuneration and Nominations, these 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 the 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 boards is to act in the very best interests of the sector at all times. Each board has delegated functions from AHDB 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 annual reports on Corporate Governance and Risk Management provided substantial 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. It did this by its policy and overall approach. Of the six meetings held during the year, six members attended all meetings and four (Tim Bennett, Lorraine Clinton, Clare Dodgson and Chris Bones) each attended five. The Board assesses its own effectiveness by holding annual appraisals between the Chair and each Board Member, and by individually completing evaluations for each agenda item and contributor. These are reviewed and followed up by the Chair. The Board considers that it has complied with the Corporate Governance Code in so far as it applies to Arm's Length Bodies (ALB's).

### Audit Committee

The Audit Committee is chaired by one of the Independent AHDB Board members and consists of a further Independent, plus three sector chairs from the AHDB Board and one Independent from a sector board. Four meetings were held in the year and the Chair, plus the Independent from the sector board and one of the sector chairs attended all four meetings. The other three committee members each attended three meetings.

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 statement on internal control 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, implementing systems that hold the executive to account through greater transparency of reporting, internal audit of key operating systems as well as risk and governance priorities. In particular, the committee has focused on IT disaster recovery, risk identification and management, improved internal auditing and monitoring the improvement in financial control.

The committee conducted a review of the savings made as a result of the amalgamation of the five separate levy bodies from which AHDB was formed, in particular, to examine the original objective which stated that annual savings in the region of £3.8m could be saved on support costs. The Audit Committee was pleased to note that the review confirmed the level of savings achieved exceeded the £3.8m annual target.

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 an understanding of whether 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 Committee

The Remuneration Committee is chaired by an Independent Non-Executive Director from the AHDB and includes three sector chairs from the Board. During 2011/12 the Committee has overseen a more stable AHDB working environment and had to implement more stringent government expectations on pay. In light of this, it undertook an assessment of the Committee's requirements and structure. The Remuneration Committee meets at least twice a year to: a) review the half year KPI results, approve the implementation of government guidelines on pay and track progress of CEO and Senior Management appraisals; b) assess the annual performance of the Chief Executive and Senior Executive Team; c) determine the strategic direction of compensation and benefits across the organisation, providing the AHDB Board with assurances of performance and reward. All meetings had full attendance by all Committee members.

### Nominations Committee

During 2011/12, the Nominations committee continued to recruit onto the sector boards against the phased programme of rotation agreed in 2010. There were seven vacancies to be filled, within EBLEX, HGCA and Potato Council Divisions. The vacancies were advertised in national newspapers and specific industry

journals. Forty application packs were sent out and one application was brought forward from the last campaign. Eighteen interviews were held and all seven 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 the SET for their attention as appropriate.

### Internal audit

AHDB's internal audit function is outsourced to RSM Tenon, as part of their 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 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. The purpose, authority and responsibilities of internal audit are set out in AHDB's Internal Audit Charter.

In accordance with the Government Internal Audit Standards, the scope of internal audit encompassed the whole of the AHDB's risk management practices, governance practices and internal controls. 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. For 2011/12, the following activities were identified for review. The outcomes of completed audits, with reports having been received and reviewed by the Audit Committee, are summarised below. RSM Tenon categorises the level of assurance given in four levels: *Green*, *Green to Amber*, *Amber to Red* and *Red*, representing levels between substantial assurance that controls are suitably designed, consistently applied and effective (*Green*), through to the Board being unable to take assurance that controls are suitably designed, consistently applied or effective (*Red*).

**Core financial systems:** This review was carried out in March 2011 and RSM Tenon's assessment was categorised as *Amber to Red*, summarised as "Taking account of the issues identified, while the Board can take some assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective, action needs to be taken to ensure this risk is managed." The report highlighted one high priority recommendation which has been addressed during the current financial year, as have many lower priority recommendations and improvements, whether identified by RSM Tenon or AHDB's senior finance management team.

**Research and development:** This was categorised as *Amber to Red* and highlighted five areas for improvement categorised as medium priority, and three



as low. The Audit Committee noted that the audit had been process-focused and that the report and opinion were provided on that premise.

**Commercial subsidiary MLCSL:** This was categorised as *Amber* to Red and highlighted five areas for improvement categorised as medium priority, and three as low. The Audit Committee noted that the audit had been process-focussed and that the report and opinion were provided on that premise.

**IT health check:** RSM Tenon summarised its opinion regarding this area by advising that a number of areas of good practice were in place, and identified that further improvements would benefit the control framework. A number of recommendations were implemented immediately and the remainder are being progressed through the internal IT development plan.

**Levy collection and disbursement:** RSM Tenon categorised this area as *Green to Amber*, interpreted by RSM Tenon as: "Taking account of the issues identified, the Board can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective. However, we have identified issues that, if not addressed, increase the likelihood of the risk materialising." There were five recommendations of which two were medium priority, and three low priority. All five recommendations were actioned during the 2011/12 financial year.

**Risk management and governance:** The audits of Risk Management and Governance were carried out during the financial year ended 31 March 2012 but the reports have not yet been finalised and reviewed by the Audit Committee. These will be considered in next year's Governance Statement.

#### **Significant internal control issues brought forward from 2011**

**Business Expenses Policy and HMRC compliance:** The outcome of the previous control issue regarding the Business Expenses and Relocation Policies, and the resulting non-compliance with HMRC regulations, has involved our working with external advisers to resolve the HMRC investigation into those areas which commenced in June 2011. We have met with the HMRC Inspector who advised that she has confidence in the Accounting Officer and senior Finance and HR management to ensure future compliance.

A new expenses policy was issued at the start of the 2011/12 financial year which was confirmed by HMRC as being compliant with current tax and National Insurance regulations. There were a number of historical arrangements in place which were not in compliance and these have been removed, in some areas following consultation with staff and requiring an agreed short changeover period. This is still an area which incurs significant management review to ensure

compliance with what is a thorough and comprehensive policy. In an environment where we recognise that the nature of business requires high levels of expenditure by individuals claiming expenses, we are looking to introduce more company-wide measures to reduce the need for staff to incur expenses, whether out of pocket or via company credit cards, to further mitigate this risk and also the administrative burden it places on the organisation. Provision has been made in the 2011/12 accounts for any anticipated further costs that may arise from the historical non-compliances and, as such, management does not consider that there is a need to record a contingent liability in this regard.

#### **New significant internal control issues raised in 2011/12**

No new significant internal control issues were raised in 2011/12.

There were no personal data-related incidents during the year.

**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 2012 under the Natural Environment and Rural Communities Act 2006. These comprise the Consolidated Statement of Comprehensive Income, the Consolidated and AHDB Statements of Financial Position, the Consolidated and AHDB Statements of Movements 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 Accounting Officer; 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 2012 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.
- 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

**Date:** 18 June 2012

# Consolidated statement of comprehensive income

## for the year ended 31 March 2012

	Note	For the year ended 31-Mar-12 £'000	Restated For the year ended 31-Mar-11 £'000
<b>Income</b>			
Gross levy	2	55,347	50,535
Non-levy sources	2	9,339	8,052
<b>Total income</b>		<b>64,686</b>	<b>58,587</b>
<b>Operating expenditure</b>			
Levy collection	2	(1,077)	(986)
Core strategic activities	2	(59,507)	(56,796)
Current pension service cost	12d	(744)	(1,020)
Past pension service cost (see explanatory note below)	12d	-	14,714
<b>Total operating expenditure</b>		<b>(61,328)</b>	<b>(44,088)</b>
<b>Surplus on ordinary activities before interest and taxation</b>		<b>3,358</b>	<b>14,499</b>
Interest receivable		23	9
Other finance income	12d	1,627	443
<b>Surplus on ordinary activities before taxation</b>		<b>5,008</b>	<b>14,951</b>
Taxation	6	(1)	(29)
<b>Surplus for the financial year</b>		<b>5,007</b>	<b>14,922</b>
<b>Other comprehensive income</b>			
Surplus for the financial year		5,007	14,922
Net gain/(loss) on revaluation of property, plant and equipment		-	(89)
Net (loss) on pension liability as a result of changes to actuarial valuations (see explanatory note below)	12d	(595)	(16,684)
<b>Total comprehensive income/(expenditure)</b>		<b>4,412</b>	<b>(1,851)</b>

Explanatory notes:

### Restatements

Accruals and deferred income has been restated as at 31 March 2011 for the Group to reflect the change in accounting treatment for government grants required by the 2011/12 FReM. A grant of £256,000 was received in 2010/11 to fund building works at the Sutton Bridge Experimental Unit. It was accounted for as deferred income to be released over the life of the building. In accordance with the 2011/12 FReM which requires such grants to be recognised as income once the grant conditions are met, a prior year adjustment has been made, increasing income and reducing deferred income in 2010/11 and increasing the general reserve at 31 March 2011 by £256,000.

### 2010/11 Results

The results for the financial year ending 31 March 2011 incorporated the effects of a change in benefits payable under the two defined benefit pension schemes. A change from RPI to CPI for calculating future pension increases was accounted for as a past pension service credit of £14.714m. Without that entry, the surplus for the 2011 financial year shown as £14.922m, would be a surplus of £208k. This was offset by adjustments to the value in the pension asset as a result of changes in actuarial assumptions, totalling £16.684m, as disclosed above.

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

The notes on pages 41 to 72 are an integral part of these consolidated financial statements.

## Consolidated statement of financial position as at 31 March 2012

	Note	As at 31-Mar-12		Restated As at 31-Mar-11	
		£'000	£'000	£'000	£'000
<b>Non-current assets</b>					
Property, plant and equipment	7	1,014		1,371	
Intangible assets	9	2		19	
Investments	10	-		1	
Pension asset	12e	2,000		1,400	
<b>Total non-current assets</b>			<b>3,016</b>		<b>2,791</b>
<b>Current assets</b>					
Assets classified as held for sale	13	2,700		2,700	
Inventories		16		20	
Trade and other receivables	14	12,771		10,189	
Cash at bank and in hand	15	13,976		12,064	
<b>Total current assets</b>			<b>29,463</b>		<b>24,973</b>
<b>Total assets</b>			<b>32,479</b>		<b>27,764</b>
<b>Current liabilities</b>					
Trade and other payables	16	(12,666)		(12,069)	
<b>Total current liabilities</b>			<b>(12,666)</b>		<b>(12,069)</b>
<b>Non-current assets plus net current assets</b>			<b>19,813</b>		<b>15,695</b>
<b>Non-current liabilities</b>					
Provisions	17	(414)		(496)	
Pension liability	12e	(369)		(581)	
<b>Total non-current liabilities</b>			<b>(783)</b>		<b>(1,077)</b>
<b>Net assets</b>			<b>19,030</b>		<b>14,618</b>
<b>Reserves</b>					
Accumulated funds			16,186		12,586
Total pension reserve			1,631		819
Revaluation reserve			1,213		1,213
<b>Total reserves</b>			<b>19,030</b>		<b>14,618</b>

The financial statements on pages 28 to 72 were approved by the AHDB Board at a meeting on 12 June 2012 and signed on its behalf by:

John Godfrey CBE  
Chairman

Tom Taylor  
Chief Executive and Accounting Officer

12 June 2012

## AHDB statement of financial position as at 31 March 2012

	Note	As at 31-Mar-12		Restated As at 31-Mar-11	
		£'000	£'000	£'000	£'000
<b>Non-current assets</b>					
Property, plant and equipment	8	377		714	
Intangible assets	9	2		19	
Investments	10	630		650	
Pension asset	12e	2,000		1,400	
<b>Total non-current assets</b>			<b>3,009</b>		<b>2,783</b>
<b>Current assets</b>					
Assets classified as held for sale	13	2,700		2,700	
Inventories		-		-	
Trade and other receivables	14	11,941		9,518	
Cash at bank and in hand	15	13,344		11,245	
<b>Total current assets</b>			<b>27,985</b>		<b>23,463</b>
<b>Total assets</b>			<b>30,994</b>		<b>26,246</b>
<b>Current liabilities</b>					
Trade and other payables	16	(12,448)		(11,998)	
<b>Total current liabilities</b>			<b>(12,448)</b>		<b>(11,998)</b>
<b>Non-current assets plus net current assets</b>			<b>18,546</b>		<b>14,248</b>
<b>Non-current liabilities</b>					
Provisions	17	(384)		(496)	
Pension liability	12e	(369)		(581)	
<b>Total non-current liabilities</b>			<b>(753)</b>		<b>(1,077)</b>
<b>Net assets</b>			<b>17,793</b>		<b>13,171</b>
<b>Reserves</b>					
Accumulated funds			14,975		11,165
Total pension reserve			1,631		819
Revaluation reserve			1,187		1,187
<b>Total reserves</b>			<b>17,793</b>		<b>13,171</b>

The financial statements on pages 28 to 72 were approved by the AHDB Board at a meeting on 12 June 2012 and signed on its behalf by:

John Godfrey CBE  
Chairman

Tom Taylor  
Chief Executive and Accounting Officer

12 June 2012

## Consolidated statement of movement in reserves for the year ended 31 March 2012

	Note	Restated Accumulated reserve £'000	Pension reserve £'000	Revaluation reserve £'000	Total reserves £'000
Balance at 1 April 2010		12,736	2,431	1,302	16,469
Surplus for the year	2b	14,922	-	-	14,922
Pension (loss)	12d	-	(16,684)	-	(16,684)
Deficit on revaluation		-	-	(89)	(89)
Other comprehensive income		-	(16,684)	(89)	(16,773)
Transfers to pensions reserve		(15,072)	15,072	-	-
Reserves transfers		(15,072)	15,072	-	-
<b>Balance as at 31 March 2011</b>		<b>12,586</b>	<b>819</b>	<b>1,213</b>	<b>14,618</b>
Surplus for the year	2a	5,007	-	-	5,007
Pension (loss)	12d	-	(595)	-	(595)
Other comprehensive income		-	(595)	-	(595)
Transfers to pensions reserve		(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>

Reserves are allocated to the reporting segments as detailed below:

BPEX		2,822	660	1,187	4,669
DairyCo		4,277	-	-	4,277
EBLEX		3,255	1,340	-	4,595
HDC		3,059	-	-	3,059
HGCA		1,574	(369)	-	1,205
Potato Council		1,199	-	26	1,225
<b>Total</b>		<b>16,186</b>	<b>1,631</b>	<b>1,213</b>	<b>19,030</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 MLCSL, the commercial red meat division subsidiary which is wholly-owned by AHDB.

## AHDB statement of movement in reserves for the year ended 31 March 2012

	Restated Accumulated reserve £'000	Pension reserve £'000	Revaluation reserve £'000	Total reserves £'000
Balance at 1 April 2010	11,430	2,431	1,187	15,048
Surplus for the year	14,896	-	-	14,896
Pension (loss)	-	(16,684)	-	(16,684)
Deficit on revaluation	-	-	-	-
Other comprehensive income	-	(16,684)	-	(16,684)
Transfers to pensions reserve	(15,072)	15,072	-	-
Transfers to revaluation reserve	-	-	-	-
Reserves transfers	(15,072)	15,072	-	-
AHDB investment in SBEU	(89)			(89)
<b>Balance as at 31 March 2011</b>	<b>11,165</b>	<b>819</b>	<b>1,187</b>	<b>13,171</b>
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	-	-
<b>Balance as at 31 March 2012</b>	<b>14,975</b>	<b>1,631</b>	<b>1,187</b>	<b>17,793</b>

Reserves are allocated to the reporting segments as detailed below:

BPEX	2,014	660	1,187	3,861
DairyCo	4,277	-	-	4,277
EBLEX	2,851	1,340	-	4,191
HDC	3,060	-	-	3,060
HGCA	1,574	(369)	-	1,205
Potato Council	1,199	-	-	1,199
<b>Total</b>	<b>14,975</b>	<b>1,631</b>	<b>1,187</b>	<b>17,793</b>

## Consolidated cash flow statement for the year ended 31 March 2012

	Note	For the year ended 31-Mar-12 £'000	Restated For the year ended 31-Mar-11 £'000
<b>Cash flows from operating activities</b>			
Surplus on ordinary activities before taxation	2a	5,008	14,951
<b>Adjustments for:</b>			
Interest receivable		(23)	(9)
Depreciation and amortisation	7, 9	393	346
Current pension service cost	12d	744	1,020
Past service cost	12d	-	(14,714)
Other finance (expenditure)	12d	(1,627)	(443)
(Surplus) on disposal of property, plant and equipment		(4)	-
Impairment of property, plant and equipment	7	-	355
(Increase)/decrease in inventories		4	(20)
(Increase)/decrease in trade and other receivables	14	(2,580)	861
Increase/(decrease) in trade and other payables	16	597	(722)
(Decrease) in provisions	17	(82)	(819)
Tax paid		(2)	(105)
Pension contributions paid	12e	(524)	(935)
<b>Cash flows from operating activities</b>		<b>1,904</b>	<b>(234)</b>
<b>Cash flows from investing activities</b>			
Interest received		23	9
Payments to acquire property, plant and equipment	7	(19)	(860)
Receipts from sale of property, plant and equipment		4	-
<b>Cash flows from investing activities</b>		<b>8</b>	<b>(851)</b>
<b>Increase/(decrease) in cash and cash equivalents</b>		<b>1,912</b>	<b>(1,085)</b>
Balance at 1 April		12,064	13,149
Net change in cash and cash equivalents		1,912	(1,085)
<b>Balance at 31 March</b>	15	<b>13,976</b>	<b>12,064</b>



## AHDB cash flow statement

for the year ended 31 March 2012

	For the year ended 31 Mar-12 £'000	Restated For the year ended 31-Mar-11 £'000
<b>Cash flows from operating activities</b>		
Surplus on ordinary activities before taxation	5,218	14,925
<b>Adjustments for:</b>		
Interest receivable	(20)	(9)
Depreciation and amortisation	373	347
Current pension service cost	744	1,020
Past service cost	-	(14,714)
Other finance (expenditure)/income	(1,627)	(443)
Impairment of property, plant and equipment	-	355
(Increase)/decrease in trade and other receivables	(2,402)	860
Increase/(decrease) in trade and other payables	450	(899)
(Decrease) in provisions	(112)	(819)
Tax paid	(2)	(94)
Pension contributions paid	(524)	(935)
<b>Cash flows from operating activities</b>	<b>2,098</b>	<b>(406)</b>
<b>Cash flows from investing activities</b>		
Interest received	20	9
Payments to acquire property, plant and equipment	(19)	(422)
Payments to subsidiary	-	(439)
<b>Cash flows from investing activities</b>	<b>1</b>	<b>(852)</b>
<b>Increase/(Decrease) in cash</b>	<b>2,099</b>	<b>(1,258)</b>
Balance at 1 April	11,245	12,503
Net change in cash and cash equivalents	2,099	(1,258)
<b>Balance at 31 March</b>	<b>13,344</b>	<b>11,245</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 (FRoM) and any other guidance issued by HM Treasury. The accounting policies contained in the FRoM apply International Financial Reporting Standards (IFRS) as adapted or interpreted for the public sector.

Where the FRoM 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 FRoM currently known, issued and to be implemented in future years, have been considered and are not expected to impact on AHDB's financial statements.

### 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. The Board considers the application of the going concern basis to be fully applicable for the foreseeable future.

### 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 2011 and the external and regulatory environments in which AHDB operates. The business segments are EBLEX, BPEX, HGCA, Potato Council, DairyCo, HDC and AHDB corporate. The segmental reporting disclosures can be found in Note 2.

### Change to Accounting Policies

In previous years, government grants received to support capital expenditure have been shown as deferred income in the statement of financial position. The deferred income has been transferred to the statement of comprehensive income in line with the amortisation of the capital asset supported by the grant. In accordance with the new requirements of the 2011-12 FRoM, being a change in the interpretation of IAS 20, AHDB has changed its accounting policy. Capital grants received are now recognised as soon as the grant conditions are met, and therefore shown as income in the statement of comprehensive income. The comparative 2010/11 statement of comprehensive income has been restated to reflect this change. The opening position and the comparative 2010/11 statement of financial positions have also been restated. The opening position at 1 April 2010 was unaffected.

Government grant received by AHDB for the delivery of specific programmes of work continues to be recognised in the statement of comprehensive income when it is receivable.

### 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.

# Notes to the financial statements

## 1. Principal accounting policies (continued)

### 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

## 1. Principal accounting policies (continued)

### 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'.

### Finance and operating leases

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

Leasing agreements, which transfer to the Group substantially all benefits and risks of ownership of an asset, are treated as if the asset had been purchased outright. The assets are included in property, plant and equipment and the capital elements of the leasing commitments are shown as an obligation under finance leases. The lease rentals are treated as consisting of capital and interest elements. The capital element is applied to reduce the outstanding obligations and the interest element is charged against profit so as to give a constant periodic rate of charge on the remaining balance outstanding at each accounting period. Assets held under finance leases are depreciated over the shorter of the lease terms and the useful lives of equivalent owned assets.

### 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 is 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.

# Notes to the financial statements

## 1. Principal accounting policies (continued)

### 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.

### 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 12 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

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

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

	BPEX division	DairyCo division	EBLEX division	HDC division	HGCA division	Potato Council division	AHDB Corporate centre	AHDB Group total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'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>	10,970	7,264	20,365	6,752	12,116	7,118	101	64,686
<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>	(10,920)	(7,871)	(19,756)	(6,002)	(9,645)	(7,033)	(101)	(61,328)

## Notes to the financial statements

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

	BPEX division	DairyCo division	EBLEX division	HDC division	HGCA division	Potato Council division	AHDB Corporate centre	AHDB Group total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'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.

#### Assets and liabilities

Assets and liabilities are not separately reported by division.

#### Commercial trading subsidiary

The income and expenditure of the trading subsidiary, MLCSL, 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 2011 (restated)

	BPEX division	DairyCo division	EBLEX division	HDC division	HGCA division	Potato Council division	AHDB Corporate centre	AHDB Group total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income</b>								
Gross levy	7,735	6,839	12,920	6,206	10,800	6,035	-	50,535
<i>Non-levy sources:</i>								-
Fee and grant income	924	293	1,322	180	149	741	158	3,767
Commercial services income	1,428	-	2,857	-	-	-	-	4,285
<i>Sub-total non-levy sources</i>	2,352	293	4,179	180	149	741	158	8,052
<b>Total income</b>	<b>10,087</b>	<b>7,132</b>	<b>17,099</b>	<b>6,386</b>	<b>10,949</b>	<b>6,776</b>	<b>158</b>	<b>58,587</b>
<b>Operating expenditure</b>								
Levy collection	(137)	(46)	(255)	(47)	(449)	(52)		(986)
<i>Core strategic activities:</i>								
Research and development and knowledge transfer	(2,868)	(3,649)	(2,694)	(3,745)	(5,167)	(2,634)	-	(20,757)
Promotion	(2,834)	(770)	(6,903)	-	(619)	(1,678)	-	(12,804)
International	(324)	-	(325)	-	(322)	-	-	(971)
Supply chain integration	(214)	-	(971)	-	(269)	(310)	-	(1,764)
Market intelligence	(670)	(579)	(1,159)	-	(586)	(364)	-	(3,358)
Communications	(391)	(696)	(521)	(783)	(796)	(141)	-	(3,328)
Support	(1,191)	(1,451)	(1,301)	(998)	(2,291)	(1,738)	(158)	(9,128)
Commercial services	(1,562)	-	(3,124)	-	-	-	-	(4,686)
<i>Sub-total core strategic activities:</i>	(10,054)	(7,145)	(16,998)	(5,526)	(10,050)	(6,865)	(158)	(56,796)
Current pension service cost	(300)	-	(600)	-	(120)	-	-	(1,020)
Past pension service cost	4,500	-	9,000	-	1,214	-	-	14,714
<b>Total operating expenditure</b>	<b>(5,991)</b>	<b>(7,191)</b>	<b>(8,853)</b>	<b>(5,573)</b>	<b>(9,405)</b>	<b>(6,917)</b>	<b>(158)</b>	<b>(44,088)</b>



## Notes to the financial statements

### 2b. Analysis of income and expenditure by segment: actual for the year ended 31 March 2011 (restated) (continued)

	BPEX division	DairyCo division	EBLEX division	HDC division	HGCA division	Potato Council division	AHDB Corporate centre	AHDB Group total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Surplus on ordinary activities before interest and taxation</b>	4,096	(59)	8,246	813	1,544	(141)	0	14,499
Interest receivable	2	4	1	2	-	-	-	9
Other finance expenditure	133	-	267	-	43	-	-	443
Pension curtailment (loss)/gain	-	-	-	-	-	-	-	-
<b>Surplus on ordinary activities before taxation</b>	4,231	(55)	8,514	815	1,587	(141)	0	14,951
Taxation	41	4	82	(167)	-	11	-	(29)
<b>Surplus for the financial year</b>	4,272	(51)	8,596	648	1,587	(130)	0	14,922

#### 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.

#### Past pension service cost adjustment

Excluding past service cost adjustments in 2010/11, EBLEX and BPEX would show deficits of £404k and £228k respectively. HGCA would show a surplus of £373k.

#### Assets and liabilities

Assets and liabilities are not separately reported by division.

## Notes to the financial statements

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

	For the year ended 31-Mar-12 £'000	For the year ended 31-Mar-11 £'000
<b>Surplus/(deficit) on ordinary activities before interest and taxation is stated after charging/(crediting)</b>		
<b>Rentals under operating leases:</b>		
- Leasehold property rents	457	497
- Vehicle leases	462	433
- Hire of equipment	260	297
Research and development expenditure	16,304	16,508
Exchange (gains)/losses	10	(12)
<b>Non-cash items:</b>		
Depreciation and amortisation	393	346
Profit on disposal of property, plant and equipment	4	-
Impairment of property, plant and equipment	-	355
Impairment of receivables	672	256
Provision provided for in year	30	-
Auditors' remuneration and expenses	126	159

Auditor's remuneration and expenses have not yet been agreed for the audit of SBEU Ltd's 2011/12 financial statements and are therefore not included in the figure above.

## Notes to the financial statements

### 4. Staff numbers and related costs

	For the year ended 31 March 2012			For the year ended 31 March 2011		
	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	107	-	107	105	-	105
<b>Levy-dependent activities</b>						
Research and development and knowledge transfer	114	1	115	113	1	114
Promotion	32	1	33	32	-	32
International	9		9	9	-	9
Supply chain integration	5		5	3	1	4
Market intelligence	41	1	42	31	1	32
Communications	44	-	44	43	-	43
Support	78	5	83	76	6	82
<b>Total levy-dependent activities</b>	<b>323</b>	<b>8</b>	<b>331</b>	<b>307</b>	<b>9</b>	<b>316</b>
<b>Total</b>	<b>430</b>	<b>8</b>	<b>438</b>	<b>412</b>	<b>9</b>	<b>421</b>
<b>Staff costs</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Salaries	15,510	246	15,756	14,656	344	15,000
Social security costs	1,573	-	1,573	1,418	-	1,418
Defined benefit scheme current service costs (Note 12d)	744	-	744	1,020	-	1,020
Defined benefit scheme past service costs (Note 12d)	-	-	-	(14,714)	-	(14,714)
Defined contribution scheme costs	684	-	684	592	-	592
<b>Total staff costs</b>	<b>18,511</b>	<b>246</b>	<b>18,757</b>	<b>2,972</b>	<b>344</b>	<b>3,316</b>

## Notes to the financial statements

### 5. Compensation and exit packages agreed for the year to 31 March 2012

Exit package cost band	Number of compulsory redundancies		Number of other departures agreed		Total number of exit packages by cost band	
	For the year ended 31-Mar-12	For the year ended 31-Mar-11	For the year ended 31-Mar-12	For the year ended 31-Mar-11	For the year ended 31-Mar-12	For the year ended 31-Mar-11
< £10,000	4	11			4	11
£10,000 - £25,000	0	4	1	1	1	5
£25,000 - £50,000	0		1	1	1	1
£50,000 - £75,000	0	1	1		1	1
£75,000 - £150,000		1			0	1
Total number of exit packages	4	17	3	2	7	19
<b>Total cost</b>	<b>£10,565</b>	£303,465	<b>£107,334</b>	£45,916	<b>£117,899</b>	£349,381

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

Any exit packages relating to senior executives are disclosed in the Remuneration Report, on page 22, together with their emoluments and remuneration. Exit packages relating to Kevin Roberts, Bernadette Garvey and Richard Lowe were accrued in 2009-10. They were in the bands £215-£220k, £130-£135k and £90-£95k respectively, at a total cost of £449k.

## Notes to the financial statements

### 6. Taxation

	For the year ended 31-Mar-12 £'000	For the year ended 31-Mar-11 £'000
<b>Current tax</b>		
UK corporation tax on commercial profits for the period	-	-
UK corporation tax on interest income for the period	(6)	(3)
Under-provision in respect of prior years	-	(175)
Over-provision in respect of prior years	5	149
<b>Tax on profit on ordinary activities</b>	<b>(1)</b>	<b>(29)</b>
<b>Allocated to accumulated funds</b>		
BPEX division fund	-	41
DairyCo division fund	-	4
EBLEX division fund	-	82
HDC division fund	-	(167)
HGCA division fund	-	-
Potato Council division fund	(1)	11
<b>Current tax charge for the year</b>	<b>(1)</b>	<b>(29)</b>

The tax on commercial profits assessed for the year differs from the standard rate of corporation tax in the UK of 26% (2011: 28%). The differences are explained below:

	For the year ended 31-Mar-12 £'000	Restated For the year ended 31-Mar-11 £'000
Surplus on ordinary activities before taxation	5,008	14,951
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009: 28%)	1,302	4,186
<b>Effects of:</b>		
Income not chargeable for taxation purposes	15,645	15,204
Expenditure not deductible for taxation purposes	(14,343)	(11,018)
Standard UK corporation tax 28% (2009: 28%) on interest receivable	(6)	(3)
Under-provision in respect of prior years	-	(175)
Over-provision in respect of prior years	5	149
<b>Current tax charge for the year</b>	<b>(1)</b>	<b>(29)</b>

# Notes to the financial statements

## 7. Property, plant and equipment

Group	Land £'000	Buildings £'000	Buildings under construction £'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 2010	1,680	1,319	355	311	2,619	1,047	536	171	8,038
Additions	-	439	-	-	183	24	214	-	860
Freehold properties are now classified as held for sale and valued on that basis	(1,540)	(1,159)	-	-	-	-	-	-	(2,699)
Disposals	-	-	-	-	(1,051)	-	-	(21)	(1,072)
Impairment	-	(89)	(355)	-	-	-	-	-	(444)
<b>As at 31 March 2011</b>	<b>140</b>	<b>510</b>	<b>-</b>	<b>311</b>	<b>1,751</b>	<b>1,071</b>	<b>750</b>	<b>150</b>	<b>4,683</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>-</b>	<b>311</b>	<b>1,763</b>	<b>1,071</b>	<b>757</b>	<b>132</b>	<b>4,684</b>
<b>Depreciation</b>									
As at 1 April 2010	-	-	-	(249)	(2,182)	(984)	(501)	(147)	(4,063)
Charge for year	-	-	-	(26)	(253)	(25)	(1)	(17)	(322)
Relating to disposals	-	-	-	-	1,051	-	-	22	1,073
<b>As at 31 March 2011</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(275)</b>	<b>(1,384)</b>	<b>(1,009)</b>	<b>(502)</b>	<b>(142)</b>	<b>(3,312)</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>-</b>	<b>(301)</b>	<b>(1,646)</b>	<b>(1,034)</b>	<b>(537)</b>	<b>(132)</b>	<b>(3,670)</b>
<b>Net book value as at 31 March 2012</b>	<b>140</b>	<b>490</b>	<b>-</b>	<b>10</b>	<b>117</b>	<b>37</b>	<b>220</b>	<b>-</b>	<b>1,014</b>
Net book value as at 31 March 2011	140	510	-	36	367	62	248	8	1,371

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 in 2011/12 to allow for wear and tear since the valuation date.

# Notes to the financial statements

## 8. Property, plant and equipment

AHDB	Land £'000	Buildings £'000	Buildings under construction £'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 2010	1,580	1,119	355	311	2,605	197	536	173	6,876
Additions	-	-	-	-	183	24	214	-	421
Freehold properties are now classified as held for sale and valued on that basis	(1,580)	(1,119)	-	-	-	-	-	-	(2,699)
Disposals	-	-	-	-	(1,051)	-	-	(21)	(1,072)
Impairment	-	-	(355)	-	-	-	-	-	(355)
<b>As at 31 March 2011</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>311</b>	<b>1,737</b>	<b>221</b>	<b>750</b>	<b>152</b>	<b>3,171</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>-</b>	<b>311</b>	<b>1,749</b>	<b>221</b>	<b>757</b>	<b>152</b>	<b>3,190</b>
<b>Depreciation</b>									
As at 1 April 2010	-	-	-	(249)	(2,178)	(133)	(501)	(147)	(3,208)
Charge for year	-	-	-	(26)	(253)	(25)	(1)	(17)	(322)
Relating to disposals	-	-	-	-	1,051	-	-	22	1,073
<b>As at 31 March 2011</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(275)</b>	<b>(1,380)</b>	<b>(158)</b>	<b>(502)</b>	<b>(142)</b>	<b>(2,457)</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>-</b>	<b>(301)</b>	<b>(1,642)</b>	<b>(183)</b>	<b>(536)</b>	<b>(151)</b>	<b>(2,813)</b>
<b>Net book value as at 31 March 2012</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>10</b>	<b>107</b>	<b>38</b>	<b>221</b>	<b>1</b>	<b>377</b>
Net book value as at 31 March 2011	-	-	-	36	357	63	248	10	714

## Notes to the financial statements

### 9. Intangible Assets

Group and AHDB	Software licences £'000
<b>Cost or valuation</b>	
As at 1 April 2010	287
As at 31 March 2011	287
As at 1 April 2011	287
<b>As at 31 March 2012</b>	<b>287</b>
<b>Amortisation</b>	
As at 1 April 2010	(244)
Charge for year	(24)
As at 31 March 2011	(268)
As at 1 April 2011	(268)
Charge for year	(17)
<b>As at 31 March 2012</b>	<b>(285)</b>
<b>Net book value as at 31 March 2012</b>	<b>2</b>
Net book value as at 31 March 2011	19



# 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, and 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 3. 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 2012 (2011: Nil). This related to depreciation charged on buildings. Its net assets were £630k as at 31 March 2012 (31 March 2011: £650k). 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-12 £'000</b>	<b>AHDB For the year ended 31-Mar-12 £'000</b>	<b>Group For the year ended 31-Mar-11 £'000</b>	<b>AHDB For the year ended 31-Mar-11 £'000</b>
AHDB investment in SBEU	-	630	-	650

### 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 3 and its assets and liabilities form a part of the statement of financial position. MLCSL had a retained deficit of £228k for the year ended 31 March 2012 (2011: surplus £3k) and its net assets were £1.21m as at 31 March 2012 (31 March 2011: £1.44m).

#### Crop Evaluation Limited

Crop Evaluation Limited (CEL) is a company limited by shares, with AHDB holding a £1 nominal value ordinary share representing 100% of the issued share capital of the company. CEL did not trade in 2011/12 and remains as a dormant company. CEL generated a nil result for the year ended 31 March 2011.

Both of these subsidiary undertakings are registered in England and Wales.

# Notes to the financial statements

## 11. 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:

	<b>Group As at 31-Mar-12 £'000</b>	<b>Group As at 31-Mar-12 £'000</b>
	<b>Loans and receivables</b>	<b>Other Financial Liabilities</b>
<b>Trade receivables</b>		
Levy receivable	4,087	
Receivables for fees	2,990	
Accrued income (less prepayments)	4,622	
Department for Environment, Food and Rural Affairs	41	
Rural Payments Agency	17	
Animal Health and Veterinary Laboratory Agency	108	
<b>Cash and Equivalents</b>	<b>13,976</b>	
<b>Trade and other payables</b>		
Trade payables		2,150
Accruals		6,455
Other		439
Defra underwrite for redundancy		2,038
Pig industry development fund scheme		75
Food and Environment Research Agency		83
Animal Health and Veterinary Laboratory Agency		4
<b>Total</b>	<b>25,842</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.

### 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.

# Notes to the financial statements

## 12. Pensions

### 12a. 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 2012/13 are estimated to be £0.3m.

As part of the AHDB transitional arrangements, any new employees now join the new AHDB Pension Scheme, so the MLC DB scheme is now effectively closed to new entrants.

In June 2011, the Trustees concluded an arrangement to purchase 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 purchased 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 added to the total scheme assets for the benefit of the scheme as a whole. As shown in note 12c below, at 31 March 2012, 65.8% of the scheme's total assets were represented by the Aviva policy, which is guaranteed to increase in line with RPI up to 5% each year, while benefits (obligations) covered by those assets are due to increase in line with CPI up to 5% each year, which over the longer term has been consistently lower than RPI. 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 asset value placed on the buy-in policy with Aviva 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 aspects other than the increases which are linked to RPI under the policy and CPI from the scheme. 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 £0.9m. 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 pa from April 2011 to March 2014, and annual contributions payable monthly of £165k from April 2014 to March 2017. AHDB had paid an additional £350k to augment the Scheme during the year ended 31 March 2011 as part of the recovery plan agreed under the previous actuarial valuation at 1 April 2007. The employer's normal contributions to the scheme in 2012/13 are estimated at £62k.

### 12b. 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. The change from RPI to CPI for the purposes of uprating index-linked features of post-employment benefits was recognised in the year ended 31 March 2011 as a negative past service cost 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

### 12. Pensions (continued)

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

	MLC Pension Scheme		HGCA Pension Scheme	
	31-Mar-12 % pa	31-Mar-11 % pa	31-Mar-12 % pa	31-Mar-11 % pa
Price inflation	2.3	3.6	2.3	3.6
Rate of increase in pay	3.8	4.1	3.8	4.1
Rate of increase of pensions in payment*	2.3	2.9	2.3	2.9
Rate of increase for deferred pensioners*	2.3	2.9	2.3	2.9
Discount rate	4.6	5.5	4.6	5.5

\* 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-12 years	31-Mar-11 years	31-Mar-12 years	31-Mar-11 years
Male currently aged 65	21.9	21.8	22.2	21.8
Female currently aged 65	24.9	24.7	25.1	24.7
Male currently aged 50	24.1	23.9	24.4	23.9
Female currently aged 50	27.1	26.9	27.4	26.9

	MLC Pension Scheme Long-term rate of return expected		HGCA Pension Scheme Long-term rate of return expected	
	31-Mar-12 % pa	31-Mar-11 % pa	31-Mar-12 % pa	31-Mar-11 % pa
Scheme assets	5.5	5.6	5.1	5.6

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

Equity: The rate adopted is 7.7% pa, which is 0.5% lower than the rate adopted as at 31 March 2011. This reflects the decrease in inflation and reduction in expected real returns.

Bonds: The rate adopted is 4.4% pa (2011: 4.4%) and is a weighted average rate for the Scheme target bond allocation. This is based on a rate of 4.2% pa on fixed interest gilts, 4.3% pa on index linked gilts and 5.0% on corporate bonds.

Insurance policy: the method used to value the assets of the insurance policy is disclosed in Note 12a, on page 58.

## Notes to the financial statements

### 12. Pensions (continued)

#### 12c. Assets

The major categories of assets as a proportion of total assets are as follows:

	MLC Pension Scheme		HGCA Pension Scheme	
	31-Mar-12 % pa	31-Mar-11 % pa	31-Mar-12 % pa	31-Mar-11 % pa
Equities	<b>33.9</b>	30.9	<b>40.0</b>	45.0
Corporate bonds	-	-	-	-
Gilts	<b>0.0</b>	69.2	<b>58.0</b>	53.0
Annuities	-	-	<b>1.5</b>	1.0
Cash	<b>0.4</b>	(0.1)	<b>0.5</b>	1.0
Other - Insurance policy	<b>65.7</b>	-	-	-

#### 12d. Components of defined benefit cost for the 12 months ended 31 March 2012

Analysis of amounts charged to statement of comprehensive income:

	MLC Pension Scheme		HGCA Pension Scheme		Total Pension Schemes	
	For the year ended 31-Mar-12 £'000	For the year ended 31-Mar-11 £'000	For the year ended 31-Mar-12 £'000	For the year ended 31-Mar-11 £'000	For the year ended 31-Mar-12 £'000	For the year ended 31-Mar-11 £'000
Current service cost	<b>(700)</b>	(900)	<b>(44)</b>	(120)	<b>(744)</b>	(1,020)
Past service cost	-	13,500	-	1,214	-	14,714
Interest cost	<b>(9,300)</b>	(10,800)	<b>(803)</b>	(919)	<b>(10,103)</b>	(11,719)
Expected return on plan assets	<b>10,800</b>	11,200	<b>930</b>	962	<b>11,730</b>	12,162
Total other finance income	<b>1,500</b>	400	<b>127</b>	43	<b>1,627</b>	443
<b>Total income/(expense) recognised in profit and loss</b>	<b>800</b>	13,000	<b>83</b>	1,137	<b>883</b>	14,137

## Notes to the financial statements

### 12. Pensions (continued)

#### 12d. 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-12 £'000	For the year ended 31-Mar-11 £'000	For the year ended 31-Mar-12 £'000	For the year ended 31-Mar-11 £'000	For the year ended 31-Mar-12 £'000	For the year ended 31-Mar-11 £'000
Actuarial gains and (losses) on assets	(19,500)	31,000	850	(430)	(18,650)	30,570
Actuarial gains and (losses) on liabilities	(11,600)	(13,500)	(1,134)	2,001	(12,734)	(11,499)
Change in the effect of the asset ceiling	30,500	(33,200)	289	(2,555)	30,789	(35,755)
<b>Total amount (charged)/ credited in other comprehensive income</b>	<b>(600)</b>	<b>(15,700)</b>	<b>5</b>	<b>(984)</b>	<b>(595)</b>	<b>(16,684)</b>

#### 12e. 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-12 £'000	As at 31-Mar-11 £'000	As at 31-Mar-12 £'000	As at 31-Mar-11 £'000	As at 31-Mar-12 £'000	As at 31-Mar-11 £'000
Present value of defined benefit obligation	(185,500)	(173,100)	(16,268)	(14,845)	(201,768)	(187,945)
Fair value of plan assets	197,900	215,400	18,165	16,819	216,065	232,219
Surplus/(deficit) on scheme	12,400	42,300	1,897	1,974	14,297	44,274
Restriction to defined benefit asset due to asset ceiling	(10,400)	(40,900)	(2,266)	(2,555)	(12,666)	(43,455)
<b>Net asset/(liability) recognised in Statement of Financial Position</b>	<b>2,000</b>	<b>1,400</b>	<b>(369)</b>	<b>(581)</b>	<b>1,631</b>	<b>819</b>

## Notes to the financial statements

### 12. Pensions (continued)

#### 12e. 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-12 £'000	For the year ended 31-Mar-11 £'000	For the year ended 31-Mar-12 £'000	For the year ended 31-Mar-11 £'000	For the year ended 31-Mar-12 £'000	For the year ended 31-Mar-11 £'000
Surplus/(deficit) in the Scheme at start of year	1,400	3,600	(581)	(1,169)	819	2,431
Contributions paid	400	500	124	435	524	935
Current service cost	(700)	(900)	(44)	(120)	(744)	(1,020)
Past service cost	-	13,500	-	1,214	-	14,714
Other finance income	1,500	400	127	43	1,627	443
Actuarial (loss)/gain	(600)	(15,700)	5	(984)	(595)	(16,684)
Surplus/(deficit) in the Scheme at end of year	2,000	1,400	(369)	(581)	1,631	819

For the HGCA Pension Scheme, the contributions paid for the year ended 31 March 2012 of £124k (2011: £435k) include the additional Scheme augmentation component of £75k (2011: £351k) referred to in 12a.

#### 12f. 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-12 £'000	For the year ended 31-Mar-11 £'000	For the year ended 31-Mar-12 £'000	For the year ended 31-Mar-11 £'000	For the year ended 31-Mar-12 £'000	For the year ended 31-Mar-11 £'000
Balance at 1 April	(173,100)	(201,700)	(14,845)	(17,483)	(187,945)	(219,183)
Current service cost	(700)	(900)	(44)	(120)	(744)	(1,020)
Interest cost	(9,300)	(10,800)	(803)	(919)	(10,103)	(11,719)
Contributions by plan participants	(200)	(200)	(16)	(15)	(216)	(215)
Actuarial gains and losses	(11,600)	15,500	(1,134)	2,001	(12,734)	17,501
Benefits paid	9,400	11,500	574	477	9,974	11,977
Past service cost	-	13,500	-	1,214	-	14,714
Scheme liabilities at end of year	(185,500)	(173,100)	(16,268)	(14,845)	(201,768)	(187,945)

## Notes to the financial statements

### 12. Pensions (continued)

#### 12f. 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-12 £'000	For the year ended 31-Mar-11 £'000	For the year ended 31-Mar-12 £'000	For the year ended 31-Mar-11 £'000	For the year ended 31-Mar-12 £'000	For the year ended 31-Mar-11 £'000
Balance at 1 April	<b>215,400</b>	213,000	<b>16,819</b>	16,314	<b>232,219</b>	229,314
Expected return on plan assets	<b>10,800</b>	11,200	<b>930</b>	962	<b>11,730</b>	12,162
Actuarial gains and losses	<b>(19,500)</b>	2,000	<b>850</b>	(430)	<b>(18,650)</b>	1,570
Contributions by the employer	<b>400</b>	500	<b>124</b>	435	<b>524</b>	935
Contributions by the plan participants	<b>200</b>	200	<b>16</b>	15	<b>216</b>	215
Benefits paid	<b>(9,400)</b>	(11,500)	<b>(574)</b>	(477)	<b>(9,974)</b>	(11,977)
Fair value of assets at end of year	<b>197,900</b>	215,400	<b>18,165</b>	16,819	<b>216,065</b>	232,219

The actual return of plan assets in the MLC Pension Scheme was a loss of £8.7m (2010/11: £13.2m gain). The actual return of plan assets in the HGCA Pension Scheme was a £1.78m gain (2010/11: £532k gain).



## Notes to the financial statements

### 12. Pensions (continued)

#### 12g. Historic trend data

	<b>MLC Pension Scheme</b>				
	<b>2011-12 £'000</b>	2010-11 £'000	2009-10 £'000	2008-09 £'000	2007-08 £'000
Present value of defined benefit obligation at year end	<b>(185,500)</b>	(173,100)	(201,700)	(156,500)	(163,100)
Fair value of plan assets at year end	<b>197,900</b>	215,400	213,000	182,100	212,700
<b>Surplus/(deficit) in scheme at year end</b>	<b>12,400</b>	42,300	11,300	25,600	49,600
Experience adjustments arising on plan liabilities	<b>(1,700)</b>	10,900	700	(1,100)	1,500
Experience adjustments arising on plan assets	<b>(19,500)</b>	2,000	31,100	(33,800)	(1,600)

	<b>HGCA Pension Scheme</b>				
	<b>2011-12 £'000</b>	2010-11 £'000	2009-10 £'000	2008-09 £'000	2007-08 £'000
Present value of defined benefit obligation at year end	<b>(16,268)</b>	(14,845)	(17,483)	(10,565)	(12,362)
Fair value of plan assets at year end	<b>18,165</b>	16,819	16,314	11,243	12,115
<b>Surplus/(deficit) in the Scheme at end of year</b>	<b>1,897</b>	1,974	(1,169)	678	(247)
Experience adjustments arising on plan liabilities	<b>296</b>	2,001	(5,371)	2,812	1,321
Experience adjustments arising on plan assets	<b>850</b>	(430)	2,403	(2,294)	(251)

# Notes to the financial statements

## 12. Pensions (continued)

### 12h. Defined Contribution Schemes

#### MLC Pension Scheme

The Defined Contribution section of the MLC Pension Scheme had a total of 42 members as at 31 March 2012 (31 March 2011: 56 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 2012 was £117k (2010-11: £133k) and the value of outstanding contributions as at 31 March 2012 was £9k (31 March 2011: £11k). This Scheme was closed to new members in 2008, when AHDB set up the AHDB Pension Scheme for newly appointed employees.

#### DairyCo Pension Scheme

The DairyCo Pension Scheme was a Defined Contribution scheme and had a total of 14 members until 31 October 2011 (31 March 2011: 14 members), at which date the members transferred into the AHDB Group Personal Pension Plan. The Scheme was provided by NFU Mutual. The cost to AHDB of operating the Scheme during the year ended 31 March 2012 was £42k (2011: £89k) and the value of outstanding contributions as at 31 March 2012 was nil (31 March 2011: £6k). This Scheme was closed to new members in 2008, when AHDB set up the AHDB Pension Scheme for newly appointed employees.

### 12i. 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 196 members as at 31 March 2012 (31 March 2011: 77 members). The current employee and employer contribution rates are 3%/6%, 4%/8% and 5%/10%, respectively. The Scheme was provided by Threadneedle until 31 October 2011 when it transferred to Legal and General. The cost to AHDB of operating the Scheme during the year ended 31 March 2012 was £478k (2011: £292k) and the value of outstanding contributions as at 31 March 2012 was £52k (31 March 2011: £29k).

#### British Potato Council Pension Scheme

The British Potato Council Pension Scheme (BPC Pension Scheme) was a Defined Contribution scheme and had a total of 19 members until 31 October 2011 (31 March 2011: 19 members), at which date the members transferred into the AHDB Group Personal Pension Plan. Members contributed 3.5% of pensionable salary while the employer's contributions were age-banded, ranging from 5.5% at age 30 to 11% at age 51 and above. The Scheme was provided by AXA Sun Life. The cost to AHDB of operating the Scheme during the year ended 31 March 2012 was £37k (2011: £61k) and the value of outstanding contributions as at 31 March 2012 was nil (31 March 2011: £5k). This Scheme was closed to new members in 2008, when AHDB set up the AHDB Pension Scheme for newly appointed employees.

#### HDC

HDC has no pension scheme but contributed defined amounts to employees' personal pension plans as follows: admin staff 4%; managers 6% or 10%. The cost to AHDB of this arrangement during the year ended 31 March 2012 was £9k (2011: £16k) and the value of outstanding contributions as at 31 March 2012 was nil (31 March 2011: £1k). At 31 October 2011, any employees in this arrangement transferred into the AHDB Group Personal Pension Plan.

## Notes to the financial statements

### 13. Assets classified as held for resale

	<b>Group As at 31-Mar-12 £'000</b>	<b>AHDB As at 31-Mar-12 £'000</b>	<b>Group As at 31-Mar-11 £'000</b>	<b>AHDB As at 31-Mar-11 £'000</b>
Assets classified as held for resale	<b>2,700</b>	<b>2,700</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 both properties 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.

Milton Keynes, Winterhill House: Two-storey premises, predominantly office building with ancillary warehouse and storage, totalling 6,224sqm (66,993sqft), on a site of around 1.469ha (3.63 acres), with ample parking. Previously occupied by the Meat and Livestock Commission, now represented in AHDB by BPEX and EBLEX.

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

### 14. Trade and other receivables

	Group As at 31-Mar-12 £'000	AHDB As at 31-Mar-12 £'000	Group As at 31-Mar-11 £'000	AHDB As at 31-Mar-11 £'000
<b>Amounts falling due within one year</b>				
Levy income receivable	4,710	4,705	4,051	4,051
Receivables for fee and other income	2,990	2,139	897	239
Provision for bad and doubtful debts	(623)	(586)	(134)	(134)
Prepayments and accrued income	5,528	5,517	5,283	5,270
Corporation Tax			62	62
Department for Environment, Food and Rural Affairs	41	41	-	-
Rural Payments Agency	17	17	30	30
Animal Health and Veterinary Laboratory Agency	108	108	-	-
<b>Total amounts falling due within one year</b>	<b>12,771</b>	<b>11,941</b>	<b>10,189</b>	<b>9,518</b>
<b>Intra-government balances</b>				
Balances with central government bodies	149	149		-
Balances with public corporations and trading funds	17	17	30	30
Sub-total: Intra-government balances	166	166	30	30
Balances with bodies external to government	12,605	11,775	10,159	9,488
<b>Total amounts falling due within one year</b>	<b>12,771</b>	<b>11,941</b>	<b>10,189</b>	<b>9,518</b>

	Group As at 31-Mar-12 £'000	AHDB As at 31-Mar-12 £'000	Group As at 31-Mar-11 £'000	AHDB As at 31-Mar-11 £'000
<b>Receivables past due</b>				
Up to 3 months past due	2,621	2,281	1,707	1,707
3 to 6 months past due	329	323	59	59
Over 6 months past due	423	408	226	226
	<b>3,373</b>	<b>3,012</b>	<b>1,992</b>	<b>1,992</b>

### 15. Cash and cash equivalents

	Group As at 31-Mar-12 £'000	AHDB As at 31-Mar-12 £'000	Group As at 31-Mar-11 £'000	AHDB As at 31-Mar-11 £'000
Balance at 1 April	12,064	11,245	13,149	12,503
Net change in cash and cash equivalents	1,912	2,099	(1,085)	(1,258)
<b>Balance at 31 March</b>	<b>13,976</b>	<b>13,344</b>	<b>12,064</b>	<b>11,245</b>
Balances at 31 March were:				
Short term investment	7,000	7,000	-	-
Commercial banks and cash in hand	6,976	6,344	12,064	11,245
<b>Balance at 31 March</b>	<b>13,976</b>	<b>13,344</b>	<b>12,064</b>	<b>11,245</b>

The short-term investment represents funds placed on 6 months deposit to September 2012.

## Notes to the financial statements

### 16. Trade and other payables

	Group As at 31-Mar-12 £'000	AHDB As at 31-Mar-12 £'000	Restated Group As at 31-Mar-11 £'000	Restated AHDB As at 31-Mar-11 £'000
<b>Amounts falling due within one year</b>				
Trade payables	2,150	2,105	2,224	2,200
Accruals and deferred income	6,455	6,366	4,299	4,205
Other payables	439	439	1,039	735
Corporation tax	27	29	-	-
VAT	908	908	1,602	1,410
Other taxation and social security	487	401	488	403
Amounts owed to subsidiary undertakings			-	628
Defra underwrite for redundancy *	2,038	2,038	2,036	2,036
Pig industry development fund scheme	75	75	75	75
Pension augmentation			-	-
Bank overdraft			-	-
Central Science Laboratory (FERA)	83	83	125	125
Veterinary Laboratories Agency (Note 20)				
Animal Health and Veterinary Laboratory Agency	4	4		
Defra			181	181
<b>Total amounts falling due within one year</b>	<b>12,666</b>	<b>12,448</b>	<b>12,069</b>	<b>11,998</b>
<b>Intra-government balances</b>				
Balances with central government bodies	3,547	3,463	4,432	4,156
Balances with bodies external to government	9,119	8,985	7,637	7,842
<b>Total amounts falling due within one year</b>	<b>12,666</b>	<b>12,448</b>	<b>12,069</b>	<b>11,998</b>

Accruals and deferred income have been restated as at 31 March 2011 for the Group and AHDB to reflect the change in accounting treatment for government grants in the 2011/12 FRoM. A grant of £256,000 was received in 2010/11 to fund building works at the Sutton Bridge Experimental Unit. It was accounted for as deferred income to be released over the life of the building. In accordance with the 2011/12 FRoM which requires such grants to be recognised immediately once grant conditions are met, a prior year adjustment has been made reducing deferred income, and increasing income in 2010/11 and increasing the general reserve by £256,000.

\*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. The agreement AHDB has with Defra governing the use of the fund to meet potential future redundancy costs expired on 31 March 2010. On 1 April 2008, the Defra fund was transferred from MLC to AHDB in accordance with the Statutory Instrument that created AHDB. AHDB is currently awaiting instruction from Defra with regard to the future use, or request for return, of the funds.

## Notes to the financial statements

### 17. Provisions for liabilities and charges

<b>Group</b>	Dilapidations provision £'000	Onerous lease provision £'000	Redundancy and exit provision £'000	Total provisions £'000
As at 1 April 2010	200	676	439	1,315
Utilisation of provision		(230)	(439)	(669)
Release of provision	-	(150)	-	(150)
<b>As at 31 March 2011</b>	<b>200</b>	<b>296</b>	<b>-</b>	<b>496</b>
As at 1 April 2011	200	296	-	496
New provisions	-		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>

<b>AHDB</b>	Dilapidations provision £'000	Onerous lease provision £'000	Redundancy and exit provision £'000	Total provisions £'000
As at 1 April 2010	200	676	439	1,315
Utilisation of provision	-	(230)	(439)	(669)
Release of provision	-	(150)	-	(150)
<b>As at 31 March 2011</b>	<b>200</b>	<b>296</b>	<b>-</b>	<b>496</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>

### Analysis of expected timing of cash flows

	Dilapidations provision £'000	Onerous lease provision £'000	Redundancy and exit provision £'000	Total provisions £'000
Not later than 1 year		110	30	140
Later than 1 year and not later than 5 years	200	74		274

## Notes to the financial statements

### 17. Provisions for liabilities and charges (continued)

#### Explanation of provisions as at 31 March 2012

##### Dilapidations

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

##### Onerous lease

Relates to the ongoing costs of the ex-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.

### 18. Financial commitments

	Group As at 31-Mar-12 £'000	AHDB As at 31-Mar-12 £'000	Group As at 31-Mar-11 £'000	AHDB As at 31-Mar-11 £'000
<b>Capital expenditure commitments</b>				
Contracted for	-	-	-	-
<b>Approved research projects</b>				
Within one year	8,567	8,567	10,468	10,468
Thereafter	16,522	16,522	12,607	12,607
	<b>25,089</b>	<b>25,089</b>	<b>23,075</b>	<b>23,075</b>
<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	540	511	611	554
Between two and five years	310	295	407	388
Over five years	-	-	-	-
	<b>850</b>	<b>806</b>	<b>1,018</b>	<b>942</b>
<b>Vehicles</b>				
Within one year	329	285	267	267
Between two and five years	370	333	424	424
	<b>699</b>	<b>618</b>	<b>691</b>	<b>691</b>
<b>Equipment</b>				
Within one year	56	55	142	142
Between two and five years	59	59	81	81
	<b>115</b>	<b>114</b>	<b>223</b>	<b>223</b>

# Notes to the financial statements

## 19. 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 Arms Length Bodies listed below and by virtue of their relationship with Defra are also regarded as related parties.

	<b>Expenditure for the year ended 31-Mar-12 £</b>	<b>Income for the year ended 31-Mar-12 £</b>	<b>Net trading for the year ended 31-Mar-12 £</b>	<b>Balance outstanding at 31-Mar-12 £</b>	<b>Balance outstanding at 31-Mar-11 £</b>
<b>Sponsoring Government Department</b>					
Defra	462,614	-	462,614	-	-
Yearend receivables	-	-	-	40,518	-
Yearend payables	-	-	-	(2,037,762)	(181,000)
<b>Total Sponsoring Government Department</b>	<b>462,614</b>	<b>-</b>	<b>462,614</b>	<b>(1,997,244)</b>	<b>(181,000)</b>
<b>Other Defra Bodies</b>					
Rural Payments Agency	81,324	(7,220)	74,104	-	-
Yearend receivables	-	-	-	17,329	30,000
Yearend payables	-	-	-	-	-
Animal Health and Veterinary Laboratories Agency	418,423	(29,460)	388,963	-	-
Yearend receivables	-	-	-	108,228	-
Yearend payables	-	-	-	(3,762)	-
FERA	-	(523,849)	(523,849)	-	-
Yearend receivables	-	-	-	-	-
Yearend payables	-	-	-	(82,715)	(125,000)
<b>Total Other Defra Bodies</b>	<b>499,747</b>	<b>(560,529)</b>	<b>(60,782)</b>	<b>39,080</b>	<b>(95,000)</b>

AHDB also had transactions with 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 £62k, excluding VAT (2010: £88k). As at 31 March 2011, AHDB owed the Institute £17k (31 March 2010: £1k). Another Board member, John Cross, is a director of Assured Foods Standards (AFS). AHDB provided funding to AFS in the year ended 31 March 2011 of £400k. 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 (2010/11: Nil). 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.



## Notes to the financial statements

### 19. Related party transactions (continued)

	Expenditure for the year ended 31-Mar-12 £	Income for the year ended 31-Mar-12 £	Net trading for the year ended 31-Mar-12 £	Balance outstanding at 31-Mar-12 £	Balance outstanding at 31-Mar-11 £
<b>Trading between AHDB and Group subsidiary</b>					
Meat and Livestock Commercial Services Ltd	189,771	(433,822)	(244,051)	-	(340,000)

### 20. Contingent liabilities

There were no contingent liabilities at 31 March 2012.

### 21. Constructive loss

	For the year ended 31-Mar-12 £'000	For the year ended 31-Mar-11 £'000
Professional	0	(746)
Legal	0	(75)
Fees to Landlord	0	(275)
<b>Total costs for aborted building costs</b>	<b>0</b>	<b>(1,096)</b>

Approved payments totalling £1,096k were made during 2010/11 for preparation costs relating to the construction of premises at Stoneleigh Park. The agreed loan arrangements to fund the building were disallowed by HM Treasury. As a consequence of the decision to disband the Regional Development Agencies, the grant which was to fund the balance of the project costs was withdrawn. As a result, the project was cancelled in 2010/11. The costs were allocated across the individual sectors in line with the agreed methodology for transition costs.

No further costs were incurred in the year to 31 March 2012.

### 22. 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.

### 23. Events after the reporting date

There were no significant events after the reporting date.

# AHDB sector boards at 31 March 2012

## BPEX – English pig sector

**Stewart Houston CBE** (Chairman)  
**Alastair Butler**, pig producer, Suffolk  
**Marcus Cheale**, processor  
**Adam Couch**, processor  
**Jon Easey**, pig producer, East Anglia  
**Clive Francis**, independent member  
**Stephen Francis**, processor  
**John Godfrey CBE**, pig producer, Lincolnshire and Yorkshire (resigned 16 May 2011)  
**Richard Hooper**, pig producer, Shropshire  
**John Hughes**, processor (resigned 4 October 2011)  
**Richard Longthorp**, pig producer, East Yorkshire  
**Andrew Saunders**, processor  
**Mike Sheldon**, pig producer, Buckinghamshire  
**Ian Smith**, pig producer, Bedfordshire

## DairyCo – GB milk sector

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

## EBLEX – English beef and lamb sector

**John Cross** (Chairman)  
**Jonathan Barber**, sheep breeder, Norfolk  
**Dr Colette Backwell**, independent member  
**Malcolm Corbett**, hill farmer, Newcastle-upon-Tyne  
**James Fanshawe**, beef farmer, Northamptonshire  
**John Hoskin**, mixed livestock and arable farmer, Dorset and Cornwall  
**Peter Kingwill**, livestock auctioneer in South West  
**Alistair Mackintosh**, mixed livestock and arable farmer, Cumbria  
**Richard Phelps**, processor  
**Mike Powley**, beef farmer, York  
**David Raine**, mixed livestock hill and lowland farmer, Cumbria  
**Kevin Swoffer**, independent member  
**Simon Warren**, technical consultant to red meat supply chain  
**Ryan Williams**, processor  
**Adam Quinney**, beef and sheep producer, Warwickshire

## **HDC – GB horticulture sector**

**Neil Bragg**, (Chairman)

**John Adlam**, hardy nursery stock consultant, Norfolk

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

**John Collier**, mushroom grower, Eire

**Alan Davis**, protected ornamentals consultant, Somerset

**Harriet Duncalfe**, soft fruit grower, Cambridgeshire

**Nicholas Dunn**, hardy nursery stock grower, Worcestershire

**Gordon Flint**, bulbs and outdoor flower grower, Lincolnshire

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

**Carol Paris**, expertise in retail, North Somerset

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

**Paul Singleton**, independent member

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

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

**Jonathan Tipples**, (Chairman)

**Cath Clelland**, independent member

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

**Ian Douglas**, merchant/exporter, Berwickshire

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

**Arthur Hill**, combinable crops farmer, West Midlands

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

**Charles Matts**, combinable crops farmer, Northamptonshire

**Adrian Peck**, combinable crops farmer, Cambridgeshire

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

**Radbourne Thomas**, combinable crops farmer, Leicestershire

**Stewart Vernon**, combinable crops farmer, County Durham

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

**Colin West**, brewing and malting industry, Essex

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

**Allan Stevenson** (Chairman)

**Robin Baines**, grower, Norfolk

**Tony Bambridge**, grower, Norfolk

**Anthony Carroll**, grower, Northumberland

**Robert Doig**, grower, Perthshire

**Fiona Fell**, independent member

**Zöe Henderson**, Independent member

**Alistair Melrose**, grower, Brechin

**Graham Nichols**, grower, Gloucestershire

**Tim Papworth**, grower, Norfolk

**David Rankin**, grower/packer

**Fraser Scott**, grower, Berwickshire (resigned 20 July 2011)

**Nick Tapp**, grower/packer

**Nick Vermont**, processor

**Duncan Worth**, grower, South Lincolnshire

## Levy rates 2011/12

SECTOR	Levy rate 2011/12	Higher rate for late payment
<b>Pigs (England)</b>	<b>£ per head</b>	<b>£ per head</b>
Producer	0.85	0.935
Slaughterer/exporter	0.20	0.22
<b>Beef and Lamb (England)</b>	<b>£ per head</b>	<b>£ per head</b>
<b>Cattle (excluding calves)</b>		
Producer	4.05 <i>(An increase of +£0.555)</i>	4.05
Slaughterer/exporter	1.35 <i>(An increase of +£0.275)</i>	1.35
<b>Calves</b>		
Producer	0.08 <i>(An increase of +£0.01)</i>	0.08
Slaughterer/exporter	0.08 <i>(An increase of +£0.01)</i>	0.08
<b>Sheep</b>		
Producer	0.60 <i>(An increase of +£0.095)</i>	0.60
Slaughterer/exporter	0.20 <i>(An increase of +£0.035)</i>	0.20
<b>Milk (GB)</b>	<b>Pence per litre</b>	<b>Pence per litre</b>
Buyers and direct sellers of milk	0.060	0.066
<b>Cereals and oilseeds (UK)</b>	<b>Pence per tonne</b>	<b>Pence per tonne</b>
Cereal grower	46.00 <i>(An increase of +6.00 pence)</i>	50.60
Cereal buyer	3.80 <i>(An increase of +0.50 pence)</i>	4.18
Cereals processor standard rate	9.5 <i>(An increase of +1.25 pence)</i>	10.45
Cereals processor reduced rate	4.06 <i>(An increase of +0.60 pence)</i>	5.06
Oilseeds	75.00 <i>(An increase of +10.00 pence)</i>	82.50
<b>Horticulture (GB)</b>	<b>% sales turnover</b>	<b>% sales turnover</b>
Horticulture products	0.50	0.55
<b>Mushroom spawn</b>	<b>Pence per litre</b>	<b>Pence per litre</b>
- Agaricus	8.0	8.8
- Non-agaricus	2.0	2.2
<b>Potatoes (GB)</b>		
Potato growers	£41.38 per hectare <i>(An increase of +£1.21)</i>	£46.68 per hectare
Purchasers of potatoes	£0.1804 per tonne <i>(An increase of +£0.0053)</i>	£0.2016 per tonne

## Glossary of terms

2TS	Two Tonne Sow	KPI	Key Performance Indicator
AFS	Assured Food Standards	KT	Knowledge Transfer
AHDB	Agriculture and Horticulture Development Board	LCA	Life Cycle Analysis
AHVLA	Animal Health Veterinary Laboratory Agency	MDC	Milk Development Council
AIC	Agricultural Industries Confederation	MI	Market Intelligence
ALB	Arm's Length Body	MLC	Meat and Livestock Commission
AVE	Advertising Value Equivalent	MMB	Milk Marketing Board
BBSRC	Biotechnology and Biological Sciences Research Council	MP	Member of Parliament
BCE	British Crop Exports	nabim	National Association of British and Irish Millers
BNF	British Nutrition Foundation	NDPB	Non-Departmental Public Body
BPC	British Potato Council	NGO	Non-Governmental Organisation
BRP	Better Returns Programme	NIRS	Near Infrared Reflectance Spectrometry
CAFRE	College of Agriculture, Food and Rural Enterprise	NFU	National Farmers Union
CAP	Common Agricultural Policy	NZ	New Zealand
CCIR	Carcase Condemnation and Inspection Reports	MLCSL	Meat & Livestock Commercial Services Limited
CCTV	Closed Circuit Television	PESTLE	Political, Economic, Sociological, Technological, Legislative and Environmental
CEL	Crop Evaluation Limited	PGRO	Processors and Growers Research Organisation
CEO	Chief Executive Officer	PHIP	Pig Health Improvement Project
CIPC	Chlorpropham	QSM	Quality Standard Mark
CPD	Continuous Professional Development	R&D	Research and Development
CPI	Consumer Price Index	RPI	Retail Price Index
COWS	Control of Worms Sustainably	RSPCA	Royal Society for the Prevention of Cruelty to Animals
CSF	Catchment Sensitive farming	SAC	Scottish Agricultural College
DB	Defined Benefit	SBEU	Sutton Bridge Experimental Unit Limited
DC	Defined Contribution	SET	Senior Executive Team
Defra	Department for Environment, Food and Rural Affairs	SG	Scottish Government
EMDA	East Midlands Development Agency	SI	Standing Instructions
EU	European Union	SOLAs	Specific Off-label Approvals
FABS	Finance and Business Services	UK	United Kingdom
FReM	Financial Reporting Manual	UKTI	United Kingdom Trade & Investment
GB	Great Britain	WG	Welsh Government
GHG	Green House Gas		
GHGAP	Green House Gas Action Plan		
HCC	Hybu Cig Cymru		
HDC	Horticultural Development Council		
HGCA	Home Grown Cereals Authority		
HMRC	Her Majesty's Revenue & Customs		
HR	Human Resources		
HRCS	Human Resources and Corporate Services		
HTA	Horticultural Trades Association		
IAO	Information Asset Owner		
IAS	International Accounting Standards		
IFRS	International Financial Reporting Standards		

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