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AHDB

**Agriculture and Horticulture Development Board
Annual Report and Accounts 2013/14**

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Agriculture & Horticulture
DEVELOPMENT BOARD

Agriculture and Horticulture Development Board Annual Report and Accounts 2013/14

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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Sixth 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 2014.

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

About AHDB

What we are

The Agriculture and Horticulture Development Board (AHDB) is a statutory levy board. We are funded by farmers, growers and others in the supply chain through statutory levies. The funds raised from each commodity sector are ring-fenced to ensure they are used only to the benefit of the sector from which they were raised. It is classified as a Non-Departmental Public Body and comes under the sponsorship of the Department for Environment, Food and Rural Affairs.

What we do

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

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

Structured for levy payer focus

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

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

A list of sector board members can be found on [pages 72 to 73](#).

Corporate objectives 2013/14

AHDB's five corporate objectives were to:

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

Group structure

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

Registered office

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

Further information on AHDB and its operating divisions is available via www.ahdb.org.uk

AHDB Board and statutory committees at 31 March 2014

AHDB Board

Chair:

John Godfrey CBE (end of term in office 31 March 2014)

Peter Kendall was appointed Chair in April 2014 by UK Ministers for a term of three years

Independent members:

Lorraine Clinton

Tim Kelly

Will Lifford

Specialist members and Sector board chairs:

Tim Bennett, GB milk – DairyCo (end of term in office 31 March 2014)

Neil Bragg, GB horticulture – HDC

John Cross, English beef and lamb – EBLEX

Stewart Houston CBE, English pigs – BPEX

David Piccaver, GB potatoes – Potato Council (resigned 31 October 2013 due to ill health)

Jonathan Tipples, UK cereals and oilseeds – HGCA

UK Ministers appointed Fiona Fell to the AHDB Board and as chair of the Potato Council sector board from 1 April 2014. The position for milk industry specialist/DairyCo sector board chair is in the process of being recruited.

Biographical details of Board members are published on www.ahdb.org.uk

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

Statutory committees

AHDB Audit and Risk Assurance Committee

Will Lifford (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 and Risk Assurance Committee terms of reference are published on www.ahdb.org.uk

AHDB Remuneration and Nominations Committee

Tim Kelly (Chair) – AHDB independent Board member

Tim Bennett – AHDB Board member (end of term in office 31 March 2014)

Lorraine Clinton – AHDB Independent Board member

Stewart Houston CBE – AHDB Board member

Remuneration and Nominations Committee terms of reference are published on www.ahdb.org.uk

Chair's foreword

Growing British agriculture

As both a farmer and the immediate past president of the National Farmers' Union (NFU), I have seen at first hand the highs and lows experienced by our food and farming sector over the last year.

My term as Chairman of AHDB was from the beginning of April 2014 so, rather than review the past in this foreword, I will look to the future.

Food security

We face the significant long-term challenge of *food security* – as climate change, population growth and energy shortages increase their influence on food production and global trade.

Knowing this, UK farmers need to be growing more. Instead, we are growing less and importing more. Our self-sufficiency in domestic food is down from 78% thirty years ago to 62% today. Reversing this trend and growing exports will also make a big positive contribution to the wider economy and, if AHDB successfully delivers on its remit, to our own bottom lines as well.

British agriculture (and when I say agriculture, I mean it as an inclusive term which covers horticulture!) must respond and increase production.

We know that there will be less land to farm in the future and society will demand more environmental protection. This will be challenging but offers UK agriculture an exciting opportunity.

Growing UK production will depend on many factors; but, ultimately, we should aim to be the most efficient and competitive producers in all the markets we are targeting. Many producers are already world leaders in their use of technology uptake, productivity and market focus; but the world of agricultural technology is fast moving and we need to remain determined to have the best technology, advice and market information available to all our producers.

The role of AHDB

AHDB has a critical role to play in this. As an independent levy-funded organisation, it is ideally placed to bring together and develop new tools to *grow British agriculture*.

My vision for AHDB is for us to be right at the heart of '*growing British agriculture*' by:

- Developing world-beating technology
- Increasing the uptake of technology and innovation on farms
- Providing the best and most up-to-date market intelligence
- Growing our exports
- Attracting and upskilling producers and their staff.

Delivering on these fronts will mean UK farmers and growers can have the confidence and profitable businesses to invest in growing this vital industry.

I have for a long time expressed great optimism in the future of British agriculture and I believe AHDB must be central to providing farmers and growers with the tools required to deliver growth over the coming years.

The AHDB team has worked hard to drive synergies and reduce administrative costs to levy payers. It is essential that this work continues and a clear vision is communicated to levy payers to earn their support and backing for the important work that will be required to 'grow British agriculture' over the coming years.

Finally, on behalf of the Board, I thank John Godfrey for his work as Chair over the past three years.

Peter Kendall
Chair
Agriculture and Horticulture Development Board

Peter is an arable farmer from East Bedfordshire and past President of the NFU from 2006 to 2014. He was appointed by the Government as AHDB Chair for a three-year term from 1 April 2014.

Chief Executive's report

Delivering value for money

Introduction

Last year was another successful year for supporting our levy payers, confirming the value-for-money services we provide. There were also many achievements to celebrate, such as:

- Our export market development work contributed £5.5 billion in value back to Britain as well as helping to balance domestic supply and demand, thereby underpinning farmgate prices
- We launched a new industry skills strategy in 2013 called *'Professionalism in Agriculture – people, progression, profit'* to co-ordinate the direction of the industry in this critical area
- Our greenhouse gas reduction work with the industry has helped our agriculture sector to be on track to meet its 2020 emissions reduction targets.

AHDB's purpose is to make our industry more competitive and sustainable. In meeting this purpose, my job is to manage the day-to-day operations of AHDB, get the best out of the AHDB team, ensuring good value for money as part of our overall delivery to levy payer businesses.

Financial performance – delivering value for money

I am pleased to report that we have again achieved a small operating surplus of £54k and a retained surplus of £115k in the financial year. Our total comprehensive income, shown on [page 35](#), was £2.8 million but it is important to note that this includes an increase in our pension scheme asset of £2.7 million, which does not form part of funds available to levy payers.

We continue to focus on improving our own operating efficiencies and optimising the proportion of levy payer funds we spend on front-line services. The amount of funds spent on direct levy payer-facing activities increased by £1.2 million over the previous year's record level to a new high of £54.4 million. We are targeting further year-on-year increases in the amount of expenditure we invest into direct levy payer services over the term of our latest Corporate Plan.

Three years ago, the spend on direct levy payer activities was £47.4 million and other expenditure was £11.5 million. This year, while our direct expenditure reached £54.4 million, our other expenditure including levy collection costs was down to £9.1 million. This illustrates our progress in driving value for money for levy payers within our operations.

On average, less than 11.5 pence in every pound of income was spent on support costs in the year ending 31 March 2014 compared to 12.5 pence for the year ending 31 March 2013 and 15 pence for the year ending 31 March 2011. Central support costs were 7.9 pence in every pound of income.

In 2013, we sold the former pig development unit freehold property at Stotfold in Hertfordshire for £1.47 million net of selling costs. This was an asset previously operated out of pig industry levy funds and the proceeds become part of the ring-fenced levy funds for the English pig sector. This marks the end of our property disposal strategy.

Our reserves were maintained at the target level which ensures the organisation maintains sufficient cash funds to enable it to meet its obligations. Levy payers' reserves at the end of the year were £19.6 million, represented largely by cash and working capital assets and liabilities, which fluctuate as levy collection cycles vary through the year.

Our auditing of submitted levy returns, coupled with an expansion to our levy field audits, identified a number of under-declarations as well as ensuring businesses qualifying to pay levy are submitting returns. We estimate an additional £1.2 million of levy was secured through this work, predominantly in the HDC, HGCA and PCL sectors. The in-house levy collection team also made further progress on tightening credit collection procedures to minimise the risk from bad debts.

£3.8 million savings

Reducing the running costs of the levy boards was a prime driver for the formation of AHDB from the merger of five former levy boards in 2008.

We can, once again, report that in 2013/14, we continued to deliver annual savings of more than £3.8 million in running costs when compared to the combined support costs of the former levy boards in the last year, pre-merger (2007/08).

These savings, combined with tight credit control and the levy collection audit successes mentioned earlier, helped enable levy rates for the year ahead to remain frozen at the 2013/14 rate (see [page 74](#)).

Operational performance – delivering value for money

Working together across our sectors and with industry partners we strive to optimise the value back to levy payers.

Welsh Government money has continued to enable significantly more and better co-ordinated dairy sector work to take place in Wales. In Scotland, 50% Scottish Government funding was agreed over the next three years for a 'Dairy Hub' designed to be a single point of call for dairy farmers in Scotland. Scottish Government funding also backed the launch of two new monitor farms in Scotland in conjunction with investment from our cereals and potato levies.

The England skills framework projects funded with £1.7 million Rural Development Programme for England money from Defra and the European Union (EU) (made up to £2.2 million with industry match funding) came to an end in March 2014. The areas we delivered on were general animal health and welfare, Bovine Diarrhoea, Scab, livestock skills and advanced technical skills in crops, including horticulture.

During 2013, a small team worked to explore and develop a consortium bid to the EU under the European Innovation Partnership and Horizon 2020, to deliver a package of industry-relevant research and knowledge exchange activities to AHDB levy payers. Good progress is being made on the formation of two 'Operational Groups' with

relevance to the UK in general but, for ease of management, based in two English regions: South West and East.

We also led on a new industry skills strategy in 2013 called *'Professionalism in Agriculture – people, progression, profit'* and we were closely involved with the gestation and birth of the UK government's Agri-Tech strategy.

Details on these and many more examples of levy-funded projects can be found in the management commentary starting on [page 10](#).

Our people – delivering an industry knowledge house

We are only as good as our people. Successful and effective delivery for levy payers is down to us having the right people in the right roles, with the right training and development and holding them accountable for their performance.

For the year ended 31 March 2014, we employed a total of 382 staff on levy activity (356 in previous year) and 114 staff in our commercial operations (125 in previous year). Our staff turnover ran at 17.6%, up by 5.1% on the previous year. The growth in levy-funded staff is as a result of the feedback we received through levy payer dialogue for more segmented services which reflect different regional requirements as well as the different levels of development of levy payer businesses.

Our second annual AHDB staff survey was voluntarily completed by 82% of staff. Despite the challenging year, the overall results were very positive with improvement in all but one of the five targeted areas. Seventy per cent of the scores were the same or higher than in the previous year. Overall, where scores improved, this ranged from 1% to 23% and, where they had deteriorated, this range was far smaller at 1% to 5%.

The responses showed we are getting many things right. For example, 86% of staff saw AHDB as a good employer (up 1%); the number of people involved in cross-sector working rose from 64% to 69%; and 82% said they found their work motivating. Clearly, there are some areas which require further work such as only 40% of staff thought there was consistency of implementation of policies across divisions. Actions to improve these have been agreed and built into the group objectives for the Senior Executive Team in 2013/14.

Helping to shape the culture of the organisation, our five values identified through staff consultation in 2012 – value for money; excellence; transparency; customer focus and people – gained further traction across the organisation during 2013. The 2013 staff survey revealed 89% of staff now say they understand the values compared to 66% in 2012 and 87% quoted them correctly compared to 64% previously.

During 2013, staff watched our Stoneleigh Park landlord, LaSalle Investment Management, construct a two-storey office building for AHDB. This is a very exciting and important development because it will mean that all our Stoneleigh-based staff will be located in a single building for the first time since AHDB was formed in 2008. This will help foster more cross-sector working and sharing of best practice. We plan to occupy it in Autumn 2014 and it will be leased to AHDB at the same cost per square foot as our existing accommodation.

We take Health and Safety very seriously and there has been a clear commitment to health and safety management at Board and Director level. An independent Health and Safety Progress Report highlighted our three main areas of risk as employee well-being, lone working and driving on company business, with a need for greater staff awareness of policies covering these areas.

During 2013, all Directors completed the highly regarded Institution of Occupational Safety and Health (IOSH) Directing Safely training course. Line managers undertook either the 4-day or 1-day Managing Safely IOSH accredited course, depending on the role of the staff they manage. A health and safety handbook was completed and made available for staff on the intranet and staff undertaking high business mileage undertook driver training.

Accountability to our levy payers

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

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

We have advisory committees (known as sector boards), sub-committees and panels comprising levy payers and other industry stakeholders who help to shape all our work programmes, ensure value for money for the levy payer and propose required levy rates. We ensure there is a regular turnover of sector board members and the detail of this can be seen on [pages 32](#) and [72-73](#). The Chairs from the 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 agriculture and horticulture events. We consulted widely on our Corporate Plan and the proposal for no change to levy rates for 2014/15.

Our governance

Our systems of internal control, risk management and corporate governance continued to be refined during the year. The AHDB Board's Audit and Risk Assurance Committee (membership listed on [page 5](#)) has reported that it is satisfied that the general level of management control is sufficient to assure levy payers that the focus of the organisation is in ensuring good value for the monies raised by the levies in all six sectors.

Risk management is well established at the senior management level and we made good progress in embedding formal risk management principles across the more junior management levels during 2013/14.

As we are custodians of levy payer money, we regard our appetite for risk as low, however, we recognise that this must not prevent us from taking opportunities which will aid successful and innovative development in line with our Corporate Plan.

The principal risks and uncertainties that face AHDB concern a potential inability to conduct levy payer services in the event of a major business disaster; maintaining

income levels to deliver effective services in the event of a major disease (animal and/or crop) outbreak or catastrophic natural disaster; a levy payer ballot leading to a Ministerial decision to withdraw one or more statutory levies; or a ministerial decision, at the time of a triennial review of AHDB, to discontinue the existence of statutory levy boards.

Details of our governance structure and progress during the year can be found on [pages 29 to 33](#).

Ballot process

The Statutory Instrument under which AHDB operates allows levy payers to request a ballot on the continuance of a particular levy. If 5% of levy payers in any sector write to AHDB, a ballot will be called for that levy and the results sent to Ministers for a decision. AHDB did not receive any requests for a ballot during the past year.

A voice for the industry

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

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

Looking ahead

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

The 2014-2017 Corporate Plan was agreed by UK Ministers in March 2013. It was restyled, delivering a far clearer and more concise story for stakeholders about what we intend to do. At its heart is a series of strategic corporate commitments under which the sector business plans provide the delivery detail and the sector-level budgets.

We enter the new financial year with a new chairman. Having someone with Peter's stature, knowledge and passion for the industry will only help take the organisation forward and strengthen the role we play in growing British agriculture.

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

Levy payer delivery

Cross-sector initiatives

The following pages highlight some of the key outputs and outcomes achieved, both jointly across AHDB and on a sector-specific basis to make levy payer businesses more profitable and sustainable.

Some examples of what we have delivered at an AHDB level include:

New industry skills strategy

Called '*Professionalism in Agriculture – people, progression, profit*', the strategy was developed and launched by AHDB on behalf of the industry's AgriSkills forum in 2013. It defines skills development as any event which empowers the participant to improve and develop, with the primary focus for action on lifelong learning. The action plan brings the key skills stakeholders together through five agreed objectives and the provision of a common vision and pathway which the many existing skills initiatives can rally behind. By all pulling in the same direction, we can achieve more for no additional investment and with each stakeholder retaining ownership and control of their own initiative.

Reducing Greenhouse Gas Emissions

On-farm actions to reduce emissions of greenhouse gases through resource-use efficiency gains have been strongly promoted throughout the industry by AHDB in the context of the industry-led Greenhouse Gas Action Plan (GHGAP) now under the umbrella of the Campaign for the Farmed Environment. As evidence of the effectiveness of the GHGAP, the Committee on Climate Change (CCC) has reported that the agriculture sector is on track to meet its 2020 emissions reduction targets. All AHDB divisions are contributing to the development of a new standard tool to measure on-farm environmental impacts as an aid to decision-making and further improvement in resource-use efficiency.

AgriTech Strategy

AHDB divisional research strategies provided the basis for development and delivery of a concise and comprehensive set of industry priorities for innovation captured within the "Feeding the Future" report. The findings from this report were adopted as a definitive statement from the industry in the UK government's Agri-Tech strategy. This report and the presence of the Chief Scientist on the Agri-Tech Leadership Council have ensured a significant influence of AHDB on the delivery of the aims of the strategy.

Market Intelligence (MI)

AHDB MI has continued to develop and provide key information and analysis for industry when making commercial decisions. Our specialist MI publications are increasing in circulation and our price indicators, such as DAPP (pig prices), Deadweight Cattle, Livestock Auction Market prices, Delivered and Corn Return cereal and oilseed prices, AMPE and MCVE (dairy indicators), continue to be widely used in the industry. We also provide independent services such as cattle valuations for Defra to use when setting compensation values for culled cattle.

CAP analysis

Although AHDB does not have a policy position on CAP Reform, we helped to inform the debate through independent and impartial analysis by our Market Intelligence team on the potential impacts of proposed changes. These assisted those in industry and Government by providing the evidence to support the debate around the best way forward. A key element was our analysis into the implications and possible consequences of the Three Crop Rule, which was widely utilised and quoted by senior stakeholders.

AHDB education strategy

Now into the second year of the strategy, we continue to successfully focus on delivering greater impact from the existing level of investment through better co-ordination of the long-term educational activities currently carried out by each of AHDB's divisions and other industry organisations. Some examples of success include: Working in partnership with industry organisations to deliver a mapping exercise which has helped inform strategy development by identifying delivery gaps and overlaps. We collaborated with key education organisations on the proposed New National Curriculum for England consultation, resulting in food education becoming compulsory as from September 2014. We also provided support for the development of the *Bright Crop* careers initiative.

Informing children about food and farming

Delivered in partnership with the British Nutrition Foundation, the www.foodafactoflife.org.uk education portal has been expanded to include new areas for farming and food production and Advanced level resources. This online suite of free curriculum-based resources is now available for schools and children from ages 3–18 years and attracted almost 3.8 million resource downloads in 2013/14, up 14% on the previous year.

Soils

AHDB has continued, as part of the Catchment Sensitive Farming (CSF) partnership, to provide farmers and growers with information on the latest research and best practice on soils at a local level. £3.7 million of AHDB-funded soils research is underway and an online soils management section is on www.ahdb.org.uk giving farmers information and practical advice through a range of filmed content and factsheets. Advice covers areas such as soil compaction, managing soil organic matter, soil cultivation, preventing and dealing with run-off, plus tramline management.

BPEX Division – supporting the English pig industry

The combination of BPEX services throughout the pig production and pork supply chain have contributed to the current average price premium of 18.4p/kg for assured British pork above European pork, the equivalent of £14.70 per pig (based on 52-week data).

The focus of our work continued to be on delivering our strategic aims: (1) to help the pig industry improve cost competitiveness to a level comparable with its main EU competitors; (2) to increase the demand for English pork and pork products.

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

Delivery highlights for 2013/14

- *Trust the Tractor Campaign:* In the wake of 'Horsegate', BPEX, in partnership with EBLEX, Assured Food Standards and the National Farmers Union, launched a 'Trust the Tractor' campaign including national consumer press advertising and in excess of 180 banners located in fields next to major roads and motorways nationwide.
- *More sausages on School menus:* As a result of BPEX evidence, from September 2014 when universal free school meals come into force, sausage servings on school menus will be permitted once a week as opposed to once a fortnight which equates to an increase of 100 tonnes of sausages a year.
- *Butchers Roadshow:* Helping to stimulate product innovation, 2013 saw the 10th anniversary of the Butcher's Roadshows across the country. In total, judges sampled more than 1,200 products – many of them innovative uses of pork.
- *Sustaining the Health of the Nation Conference:* Sixty delegates attended a joint BPEX/EBLEX Sustaining the Health of the Nation Conference in May 2013 to debate the role of red meat in nutrition. Also discussed were the environmental and public health issues underlying the very complex nature of this subject in the public health arena.
- *Buildings Blue Print:* We produced a comprehensive guide to new finishing house building construction. The guide covers a range of indoor building designs, feeding system options, ventilation systems and renewable energy opportunities. There is also advice on funding options, planning, environmental compliance, management, nutrition, veterinary health and assurance.
- *Pig Industry Environmental Road Map:* Our January 2014 two-year progress report showed that the reduction in climate change potential (carbon footprint) achieved by the pig industry amounted to 800,000 tonnes of CO₂-equivalent in 2012 compared to 2008, which already exceeds the 2020 target. The report revealed there have already been considerable improvements in eutrophication, acidification and resource depletion, proving the industry is using resources more efficiently.
- *Stable Isotope Reference Analysis (SIRA) Tool:* Following extensive research and two years of development and rigorous testing, we introduced a scientifically based system that can be used to test the integrity of provenance and traceability of Red Tractor pork. The tool links pork to its geographical area of production and has been incorporated into the quality assurance schemes operated by the British Meat Processors Association (BMPA), part of the Red Tractor standards for pork and pork products.
- *Real Welfare Assessment:* An innovative objective, science-based welfare measures tool, developed from a BPEX research project, was introduced into the Red Tractor Assurance standards for Pigs. The tool assesses a range of measures regarding the pig and its behaviours rather than its environment and provides a way to demonstrate pig welfare standards to consumers with robust scientific evidence.
- *Rodent Control Programme:* In response to the disease risk challenges posed by rodents and the forthcoming changes to rodent control stewardship facing all sectors, we commissioned a series of rodent control workshops, designed specifically for pig units. These have been extremely popular and are helping ensure that the pig industry complies and leads the way in responsible use of rodenticides stewardship.
- *Breed +3:* This campaign was launched in 2013 to support individual businesses to increase their breeding herd performance by three pigs weaned per sow per year. In the first nine months, average combined indoor and outdoor performance has increased from 23.05 to 23.66 for top third indoor and outdoor herds.
- *Practical Pig App:* This is an innovative digital knowledge transfer platform for smartphones, tablets and online. The tool includes more than fifty 2-3 minute video clips demonstrating best practice of specific husbandry techniques with commentary by leading producers, veterinarians and trade specialists. The tool had 500 app downloads in the first 2 months. Other AHDB sectors are now exploring this approach to Knowledge Transfer.
- *Producer feedback:* 86% of respondents to our annual survey said they expect to draw on BPEX services, knowledge and expertise to help their businesses in the year ahead and over 50% of the respondents felt that they had made a positive impact to their business following contact with BPEX and its services.
- *Field Trials Programme:* We initiated a range of field trials to demonstrate innovative production techniques and address common pig husbandry challenges including alternative outdoor service pods and farrowing accommodation, feeder review and precision feeding technologies. Interim results from one business participating in a performance data interpretation field trial achieved an increase in breeding herd performance from 24.7 to 27.9 pigs weaned per sow per year.

DairyCo Division – supporting the GB milk industry

Our DairyCo division continues to work for dairy levy payers developing and delivering relevant tools and services. The emphasis in 2013/14 was on improved levy payer communication and engagement. We visited over 800 farmers who had not engaged with DairyCo before and delivered benefits to farmers averaging a return on investment in levy fund of 8:1.

We also continued to work on the differentiation of our delivery because we understand that appetite for information among dairy farming businesses is wide ranging with varying levels of technical need. We have developed a business portfolio aimed at more advanced performers which will be rolled out in the coming financial year. Through our consumer activity, we also helped to maintain the good image that dairy farming has among the British public.

Delivery highlights for 2013/14

- *Levy payer engagement:* The extension team continues to be the front line of face-to-face DairyCo work with groups and forums of levy payers. This approach is facilitating farmer progress with business skills through Knowledge Transfer (KT), using information and knowledge gained from our research and insight. The use of high profile overseas speakers to act as the focus for Open meetings has worked well with excellent levy payer attendance. We achieved our target of meeting and speaking to 800 dairy farmers in the year who were not previously engaged with DairyCo.
- *The Research Partnerships* led by Nottingham University and Scotland's Rural College (SRUC) have continued to deliver well. A number of well-attended research events raised the profile of this important DairyCo research with dairy levy payers. The close working relationship between DairyCo staff and the research teams has benefited other areas of the business including our response to requests to field specialists for media interviews as well as our knowledge transfer products. Research projects continue to be commissioned outside the Research Partnership arrangements, including a study of recycled manure solids for bedding – its management and potential in GB.
- *Market Intelligence (MI):* The integrated AHDB Market Intelligence team analysed and interpreted markets which provided high-quality, regular and unbiased information to help levy payers with business decision-making. We exceeded our targets for the uptake of our MI outputs such as Dairy Market Update and Dairy Monthly. We also conducted a detailed review of the market indicators AMPE and MCVE to reflect current industry market mixes and efficiency improvements.
- *Increasing digital delivery:* The DairyCo team has made good use of webinar technology to deliver cost-effective and convenient training to vets and levy payers. Our use of Twitter to communicate timely news and information has grown quickly with over 2,300 followers and has resulted in increased traffic and engagement with the [DairyCo website](#).
- *Continuing Professional Development (CPD):* Development of the CPD project, Dairy Pro, has progressed well with 500 members. The scheme now aims to build up to 2,000 members in the next year. Good relationships have been made with a number of organisations to help achieve this goal.
- *Our Breeding+ programme* continued to support the UK breeding industry. In April 2012, the genetic evaluation included genomic data for the first time. This has improved the resilience of the evaluations and enabled the industry to make faster genetic gains. International genetic evaluations were conducted and published. Uptake of the genetic indexes DairyCo produces continued to grow and monitoring of the average genetic merit of sires used on farm showed an increased trend and exceeded the target. Development work on two indexes has been completed successfully in the last year, enabling the launch of a revised Profitable Lifetime Index (£PLI) and a Spring Calving Index (£SCI). The revised £PLI puts more emphasis on longevity traits and the £SCI is designed to meet the needs of the growing number of herds using block spring calving and paddock grazing. This index works across breeds.
- *Delivery in Wales:* The partnership agreement arrangement which DairyCo has with the Welsh Government continued to be an effective means of delivering a tailored programme to Welsh dairy levy payers. The delivery of technical information is well co-ordinated and the input to government policy is valued by civil servants and Ministers. The Welsh language content of the DairyCo website continued to expand and improve.
- *In Scotland,* the ground work was laid for the launch of a 'Dairy Hub' designed to be a single point of call for dairy farmers in Scotland who are seeking information, advice or training. The hub will initially be co-funded by DairyCo and the Scottish Government for three years.
- *Informing consumers about dairy farming:* We continued to develop robust evidence-based media statements covering a range of topics to support and promote the industry. We exceeded our public relations targets to proactively communicate positive factual messages to better inform the public through print, TV and radio coverage.
- *Thisisdairyfarming.com:* Our consumer-facing website www.thisisdairyfarming.com achieved its target of Google first page rankings for relevant search terms. The campaign this year was centred on 'Discover Dairy' fronted by Adam Henson who made a number of videos explaining how aspects of dairy farming work. The factual website features short video pieces by Adam and other farmers and experts explaining how modern dairy farming works. Monitoring the use of the website has shown spikes of use that correspond to media issues – which reinforces its value.

EBLEX Division – supporting the English beef and lamb industries

More than 60 non-EU exports markets for beef and lamb have been opened since a dedicated push on this began in August 2010. A strong export market helps underpin the farmgate price for beef cattle and sheep. Our calculations estimate this to be worth 37p/kg or £123 per head of beef, and 66p/kg or £12.50p per head of sheep to producers. This adds a value of £184 million to the English beef industry and £100 million to the sheep sector in this country.

Helping the beef and sheep meat supply chain become more efficient, as well as adding value to the beef and sheep meat industry, are the key priorities for our EBLEX division.

Alongside the export development, there was ongoing work with retailers and consumers to stimulate demand for quality assured products, communicate the benefits of red meat and provide practical tools and information to help farmers and processors with their businesses.

Delivery highlights for 2013/14

- *Access to export markets:* Important successes in 2013/14 included access to the potentially lucrative Russian market and the emergence of Hong Kong as our second largest export market for sheep meat by volume, worth £19.6 million to the industry in 2013.
- *Cattle feeding regimes:* We have teamed up with Scotland's Rural College (SRUC) to look at how changes to cattle feeding regimes can improve efficiency and drive business profitability, while reducing greenhouse gas (GHG) emissions produced as a by-product of rumination. The three-year research project continues our work to help the industry meet tough emissions targets, focusing on changing diets and introducing novel feed additives.
- *Make it with Mince:* More than £2.1 million of media coverage was generated at the start of the 8th year of our Make it with Mince Young Chef Competition, fronted by celebrity chef James Martin. The coverage reached more than 24 million people and is aimed at engaging with young people and getting them to cook with beef or lamb.
- The *Quality Standard Mark Steak Bar* concept, focused on innovative selling of steaks, was launched in 100 Morrisons supermarkets. It helped those stores deliver up to a 13.5% increase on standard stores in both volume and value across the steak range.
- *Market Intelligence:* To enhance the business tools for levy payers, the markets information section of the EBLEX website was expanded to include new industry statistics and with a greater focus on promoting the daily updated market prices. This has resulted in more than a two-fold increase in the page views for that section – 1.4 million at February 2014.
- We co-ordinated the launch of the *All Party Parliamentary Group for Beef and Lamb* report into the carbon footprint of the industry. The report and launch event have helped ensure many politicians at the highest level are briefed on the challenges the industry faces in this area.
- *BRP+ Technical resources:* Responding to a call from parts of the industry for a higher level of technical resources, our Better Returns Programme (BRP) launched BRP+ to complement the existing library of manuals and reference documents. Feedback has been positive with a 96% satisfaction rating as measured in post-event surveys, while around two-thirds of producers who attend a BRP event say they make changes to their business as a result of something they have learned at an event.
- *Lameness:* EBLEX has been instrumental in bringing together industry experts to discuss co-ordination of lameness messages. Lameness is a declared priority issue for the Sheep Health and Welfare Group (SHAWG) and under this umbrella we brought together representatives from FAI Farms, Liverpool University, Warwick University, Sheep Veterinary Society (SVS), ADAS and Farmers Weekly. The outcome is a joint leaflet which will be championed by Farmers Weekly as part of its *Stamp Out Lameness* campaign.
- *Carcase utilisation:* Our analysis demonstrated the beef market has the potential to grow from £1.921 to £1.998 million by adopting alternative and improved butchery methods – an increase in value terms of £77 million (or 3.8%). In the retail lamb market, growth of £11 million (1.98%) is forecast. This knowledge is now being championed at events around the country.
- *Liver fluke:* We completed our RDPE-funded Animal Health and Welfare project on liver fluke control with six vet CPD events run across England, attracting more than 120 vets. Working with Fiona Lovett of MRCVS, we demonstrated the demand for these events, the issue of liver fluke and showed how working with the SVS and the British Cattle Veterinary Society (BCVS) works well.
- *Grazing Club:* This concept was launched in February 2014 and uses digital communications to disseminate messages and engage selectively with producers who want to get more out of their grassland. It includes dedicated events and a monthly newsletter. By 31 March, there were 4,000 subscribers.
- The *Simple Pleasures* advertising campaign, encompassing television, press and digital, across Channel 4 and food magazine titles, saw a 260% surge in interest in beef and lamb recipes on our [simplybeefandlamb website](#), compared to the previous five months. This helped maintain household penetration of beef at 85% and lamb at 56% against tightening household incomes and rising prices.
- *Multi-country lamb promotion:* We played a key role in convincing the European Union to 50% co-fund a generic promotion campaign for lamb across France, Republic of Ireland and the UK. We are now working closely with Interbev and Bord Bia to plan what activity will best help lift the category for lamb sales. The total budget will be €2.140 million per annum for three years.

HDC Division – supporting the GB horticulture industry

Our key horticultural industry priority was to commission and manage an applied research programme to address current and future crop protection and production issues. This was underpinned by a range of communications and knowledge transfer activities to ensure that growers could make use of the outcomes of the research. We also continued our EAMU pesticide minor uses programme and contributed factual information in support of the industry to key policy debates.

We completed the development of our overall plan for communications and knowledge delivery, published as *'Engagement with Impact'*. Together with our Research and Knowledge Transfer strategy (*'Fit for the Future'*) and our published crop sector strategies, we have set clear boundaries for the areas in which HDC intends to operate over the next few years. This will ensure the HDC executive is focused on delivering an even better return on levy investment for levy payers.

Delivery highlights for 2013/14

- *Field vegetables*: The key priorities of the field vegetable sector continued to be addressed by developing portfolios of work containing applied research, PhDs to underpin higher science and knowledge transfer to target problem areas. Fine-tuning *crop nutrition* has been addressed on sweet corn, vining peas, asparagus and baby leaf salads. The results from these studies should feed into updating the RB209 Fertiliser Manual.
- *Projects PC 302, PC 302a, PC 302b, PC 302c, PC 302d: Integrated Pest Management (IPM) Programme Development for Tuta absoluta (tomato leaf miner)*. After four years work (costing £75,000) on the behaviour and integrated control under UK conditions of tomato leaf miner, we published definitive recommendations for managing this pest with the minimum impact on the established biological control programmes routinely used by the UK industry.
- We published a *Crop Walker's Guide* for tomato, pepper and cucumber growers covering *nutritional and physiological disorders* to complement the previously published Guide on pests and diseases.
- *Project CP 124: MOPS (Managing Ornamental Plants Sustainably)*. The HDC ornamental sectors have invested £240,000 over two years in a project that will evaluate novel conventional pesticides and biopesticides for their potential as components of sustainable pest and disease control programmes. This is one of 12 projects we commissioned by competitive tendering this year, ensuring that we target work on growers' needs and that work is done cost-effectively.
- We worked with the *International Plant Propagators Society (IPPS)* to organise a successful study day (in association with Fargo, GroSouth and West Sussex Nursery Stock Discussion Group). The event included nursery visits, a practical weed control workshop and early evening grower talks on the theme of plant propagation.
- *Ornamentals guides*: We published two key guides for the ornamentals industry: *'Practical Weed Control for Nursery Stock'* (a full revision of a previous version); and a new comprehensive *'Narcissus Manual'*, released in autumn 2013.
- *Project SF 145: Understanding and developing methods for managing spotted wing drosophila (SWD) in the UK* (funded by HDC, East Malling Trust, British Summer Fruits, Worshipful Company of Fruiterers and CPM Retail Ltd). SWD (*Drosophila suzukii*) is a serious new pest of soft and stone fruit crops. We have worked with the UK fruit industry to instigate a comprehensive research project to understand more about the pest's behaviour in the UK, how to trap and monitor it, how to control it and how to dispose of infested fruit safely. We will have invested £390,000 over the four-year life of the project (2013-17).
- In 2013, we published an *Apple Crop Walker's Guide* which is being used on a daily basis by staff working in apple orchards. We also produced a new *Fruit Thinning Training DVD*, targeted at seasonal workers who have never before conducted hand thinning of apples, pears and plums. It has also been translated into eight different languages.
- Our programme for *minor use pesticide approvals* has continued, with over 50 new EAMUs secured in the last year. Following a request from a leading soft fruit grower, we managed to obtain an EAMU for control of western flower thrips in just two days from receipt of the request to the issuing of the Approval by the regulators.
- HDC's *Twitter channel*: To widen awareness of its work and the resources available, HDC started highlighting new projects, research, publications and events via Twitter on a daily basis, reaching more of the industry and, in turn, tripling Twitter followers from 500 to 1,500. Many more former DVD-format technical films are now hosted on YouTube, accessible via the HDC website, to widen grower and staff access to these resources.
- We held an *'HDC in Focus'* event designed to give all horticulture levy payers and HDC Associates the opportunity to come and hear about HDC's integral position in supporting the horticulture industry. This was just part of our effort to expand our range of national and regional events to make it easier for growers to engage with the work of HDC.
- An event on *'Developing technical skills for the Horticulture Industry'*, sought the views of growers and technical managers involved in staff recruitment and training. The objective was to discuss skills development and training provision and how we could best support horticulture levy payers' training programmes and needs.

HGCA Division – supporting the UK cereals and oilseeds industry

With HGCA research suggesting that just 13% of growers know their true costs of production, HGCA invested in a network of eight new Monitor Farms in England and Wales. Run by growers for growers, this farm network will focus on providing real-time, practical business improvement messages at a local level.

Improving cereal industry resilience was the overarching theme for our HGCA division's activities in 2013 as the sector returned to more normal plantings, following a difficult 2012 cropping year.

Over the past 12 months, HGCA investment in people and projects has played an important part in providing an independent evidence base to the current challenges facing the industry.

Our work has opened up new markets for UK grain, paved the way to foster new talent and provided new and innovative ways to spread best business practice.

Delivery highlights for 2013/14

- *Crop Research Conference:* AHDB's first Arable Crop Research Conference was held in September and attracted over 170 delegates to London's QEII conference centre. Organised by HGCA, the conference had ten top speakers from a range of research disciplines to present on the future of crop protection and the problems of bridging the gap between laboratory and field.
- Our *Water Roadmap* was published in Autumn 2013. This publication reviewed water availability and water quality challenges faced by the cereals and oilseeds industry, and progress made by the sector.
- *Fertiliser Manual:* We led an AHDB-wide sector project working on a proposal to update Defra's RB209 Fertiliser Manual which provides important industry guidelines on the application of nitrogen fertiliser. The proposal has been initially welcomed by Defra and will be progressed in 2014/15.
- *Crop nutrition:* We invested over £700,000 in a series of crop nutrition research projects. These included cost-effective phosphate management, nitrogen fertiliser management in winter barley and sulphur management. A three-year project looking at potential production of ferulic acid from wheat bran was also supported with HGCA funding of £250,000.
- *Monitor Farms:* Two new Scottish Monitor Farms were launched in the Black Isle and Fife as part of our ongoing business improvement programme in Scotland. This project, which is co-funded by the Scottish Government, also included input from Potato Council as both farms have potatoes in the rotation.
- *Regional network:* A team of five HGCA regional managers was established with a remit to roll out business improvement messages delivered through a network of English Monitor Farms. An expression of interest call for growers to become one of these Monitor Farms generated over 130 replies – one of the largest grower responses to any such HGCA call.
- *eGrain Passport:* Five companies have signed up to participate in our £250,000 eGrain Passport pilot project which aims to provide recommendations to the industry on moving over 800,000 paper-based grain passports online. The project is due to start trials for Harvest 2014 and will also provide recommendations on improving two-way flow of information in the malting barley and milling wheat supply chains.
- *Neonicotinoids:* In June, we published a review looking at the impact of the withdrawal of neonicotinoid seed treatments. The review suggested potential industry losses of up to £72 million annually from failure to control cabbage stem flea beetle and Turnip Yellows Virus, and looked at the effectiveness of alternative control strategies.
- *UK biofuels supply chain:* An industry review of regional GHG emissions figures led by us reopened market opportunities in the UK biofuels supply chain, potentially worth several million pounds each year. We worked with the Department of Transport and an industry consortium to ensure data used in the regional calculations accepted by the European Commission were based on the most robust and up-to-date evidence.
- *Publication of prices:* A major review of Corn Returns by AHDB's Cereals and Oilseeds Market Intelligence division has resulted in the publication of more regional prices. The review updated the existing validation system to make improved use of raw data supplied by merchants. The Reuters price feed to the HGCA website was also upgraded to provide updated cereal and oilseed futures prices on a rolling five-minute basis.
- *2013 crop quality:* The drop-off in GB plantings for Harvest 2013 was somewhat offset by crop quality. Data from the AHDB Cereal Quality Survey showed a significant improvement in crop quality, with some of the highest Hagberg Falling Numbers recorded for 30 years.
- *British Cereal Exports (BCE):* Our export arm, BCE, played a major role in helping Morocco lift its restrictions on feed wheat imports, helping to open up a market worth an estimated £9.6 million annually. BCE worked closely with the Moroccan Feed Trade Association, AFAC and the state buying agency ONICL as part of this project.
- *Healthy breakfasts:* The search for the UK's Best Breakfast was a new theme for Farmhouse Breakfast Week which took place in January 2014. We received 1,600 resource requests for the campaign and the *Shake Up Your Wake Up* website received a 93% increase in visits compared with 2013.

Potato Council Division – supporting the GB potato industry

Better engagement with our potato levy payers has been a key activity this year. Forty per cent (by area) and 70% (by tonnage) of our levy payers shared views on our performance and relevance through a comprehensive face-to-face consultation exercise called *Direction through Dialogue*. Engagement was accelerated throughout the year with footfall at field events and at our flagship BP2013 up by 20% on previous years.

More focused and targeted levy payer delivery saw our potato sector event feedback scores (for relevance and satisfaction) increase by 7%. We matched this with new developments in digital communications achieving similar rises in use of website and twitter, enhancing our status as the 'go to' organisation for potato issues.

Delivery highlights for 2013/14

- *CIPC Stewardship*: The industry was successful in retaining approvals for the crucial sprout suppressant CIPC following a review of the 5-year stewardship action plan by the Advisory Committee on Pesticides (ACP) in September 2013. We have committed to continuing stewardship supported by the launch of a new 'Be CIPC Compliant' initiative and we have invested in new R&D projects to continue to develop best practice and reduce the risk of incidents of exceeding residue limits.
- *Horticulture and Potatoes Initiative (HAPI)*: We were partners in three successful project bids to HAPI, a new research programme supported by the BBSRC. Industry partners are involved with all the projects and these new studies are investigating biofumigation for soil pest control, integrated resistance management strategies for potato blight and dormancy and sprouting in potato and onions.
- Our highly successful *Safe Haven Scheme* was expanded to incorporate British gardeners who account for over 10,000 tonnes of all seed potatoes marketed. We were aware of plant health risks of seed packed or grown outside of GB reaching the gardening community and initiated an awareness campaign supported by both Defra and Scottish Government. The information pack focused on the risk of ring rot on imported seed which could devalue our industry by £25 million annually should it become established in our supply chain.
- *Seed potato exports*: We worked with Government to develop new markets for seed potatoes. Negotiations with the Ministry of Agriculture in Vietnam resulted in a draft agreement after our outward mission to Hanoi in May 2013. The market is currently immature with a value of £0.5 million but, with potato consumption increasing by 5% per annum, this presents a great opportunity for our exporters to develop trade with importing companies in this region.
- *Growing skills*: Last year, our technical workshops and RDPE-funded storage, quality control and seed management courses have been extremely popular. We have also delivered training in partnership with the AgriFood Training Partnership. Initiatives to encourage quality new entrants to join the sector are in development and we featured 17 case studies of new entrants to the potato industry at BP2013. Going forward, we will work with the NFU to deliver a series of study visits and workshops for this Next Generation group, helping to develop the future leaders of the potato industry.
- *One-to-one visits*: We have completed well over 100 one-to-one visits with levy payers to ensure wider awareness of the resources available. We continue to see an increase in access to our Potato website, which provides a platform for new decision support tools, publications, research reports and a host of cross-discipline (e-)newsletters including Team Potato, Tubertalk, Grower Gateway, World Service, the Storage Bulletin, Potato Weekly, EuroPotato and the Retail Report.
- We are working more closely with *agronomists and advisors*, to facilitate dissemination of levy-funded independent knowledge, while maintaining a strong brand for Potato Council investment on behalf of levy payers and, in 2014, we will launch our search for regional Technical Champions, who will be media trained and fluent in recent technical outputs to assist us in translating this knowledge into outcomes on farm or in the supply chain.
- *One Voice*: We delivered a new One Voice approach for promoting potatoes – a simple set of messages and evidence base for the potato industry to join together to promote the natural goodness of potatoes (including health, sustainability and value for money). It is supported by many partners including Potato Ambassadors, NFU, NFUS, British Potato Trade Association (BPTA), Potato Processors' Association (PPA) and Fresh Potato Suppliers Association (FPSA), with over 160 industry pledges of support received by the year end. When many voices join together, there is a lot more impact and this is the first time joint messaging has been developed for children, shoppers, the media and key influencers.
- *Named varieties*: We launched a new campaign to show shoppers it was worth paying a bit more for named varieties. Three major retailers funded messages on pack to support the activity. The campaign delivered a 3% shift in shopper awareness, increasing to 6% in the target audience of families. Promoting named varieties can support all retail potatoes by educating and inspiring shoppers. The fresh potato suppliers have endorsed the approach and asked for it to continue over the next year.
- *Sutton Bridge Crop Storage Research (SBCSR)*: 'Storage 2020', our campaign for raising awareness of the need for more sustainable, cost-effective and efficient potato storage by 2020 was launched in 2013. This included a major storage conference attended by 260 delegates, a web-based information hub for store operators to access best practice guidance (www.potato.org.uk/TIPS) and plans for a new 'StoreCheck' auditing service aimed at assessment and improvement of existing storage.

Meat & Livestock Commercial Services Limited and other trading subsidiaries

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

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

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

Delivery highlights for 2013/14

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

	2009/10	2010/11	2011/12	2012/13	2013/14
Cattle	81%	83.9%	90%	90%	90%
Sheep	60%	58%	68%	69%	68%
Pigs	70%	76.7%	82%	82%	85%

- A significant number of 'selection of cattle and sheep for slaughter' training events were delivered at abattoirs and auction markets on behalf of the EBLEX Better Returns Programme in England. Similarly, support was contracted to Hybu Cig Cymru (HCC) in Wales for its busy programme of both sheep and cattle selection for slaughter training days and agricultural shows. This training provides the knowledge to help producers to better 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 carcass.

- The MLCSL equipment team continued to market and sell the Stun Assurance Monitor (SAM) which provides an auditable stun process for abattoirs. The equipment team also continues to sell a range of products into the trade with carcass labels seeing the most turnover but also meat marking pencils and the sale and maintenance of Intrascopes (Pig Probes).
- Support is provided on the delivery of Pig Electronic Animal Movement Licences. MLCSL is contracted by AHDB's pig division (BPEX) to provide a telephone help desk and data entry service for pig producers who cannot, or choose not to, enter their own data online about pig movements.
- The MLCSL team has also supported the introduction of Real Welfare assessments into the Red Tractor Pig Scheme Standards. It provides a contracted data entry service to veterinarians undertaking assessments on farm and feeding back the results to the respective veterinarian.

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 details on AHDB's subsidiaries can be found in [Note 10](#) to the accounts.

Performance against targets

Target	Owner	Performance	Summary
AHDB Objective 1: Deliver value for money for levy payers in everything we do			
Work on at least three strategic research areas let by tender each year of this Plan; year-on-year reduction in the number of projects commissioned while average project value increases over the 3-year Plan	HDC	A total of 12 HDC tenders were advertised in 2013/14. It is too early (1 year into the plan) to discern trends in project size and number statistics	On target – work in progress
Shift levy payer awareness/value perception by 7% by 2015	Potato Council	Levy payers will be surveyed in summer 2014. Signals are positive with delegates at Potato days rating events more highly for delivery and quality. A programme of 1:1 levy payer visits has also helped raise awareness of services available	Work in progress
Increase levy payer satisfaction score for identified key activities by 5% over the three-year period to 2016 as measured in annual stakeholder 'intentions' survey	HGCA	Levy payer satisfaction score for 2014 was 64%, representing an increase of 4% from 2013. The calculation methodology was changed for 2014 to include value for money, Recommended List and HGCA's role in the industry	On target – work in progress
80% satisfaction rating for EBLEX published material measured in stakeholder 'intentions' survey and feedback forms	EBLEX	92% rating from annual stakeholder survey (March 2014). Average 96% from event feedback surveys	Target met
Improve annual customer survey score from 2.74 to 4.25 (1 = poor; 5 = excellent) by 2016	BPEX	The progress to date is 3.84 with six of the eight measures up on a year ago, one unchanged and one lower	On target – work in progress
Deliver R&D partnerships to time and budget	DairyCo	R&D partnerships remain on target with some modifications of delivery due to weather effects on soils and crops	Target met
Reduce support costs as a percentage of income by 1% year-on-year, bringing it down to 12% by 2014	AHDB Corporate	Less than 11.5 pence in every pound of income (11.5%) was spent on support costs in the year ending 31 March 2013	Target met
AHDB Objective 2: Improve efficiency and productivity in the industry to help levy payers have thriving businesses			
Increase year-on-year cost/benefit ratio resulting from uptake of specific EAMUs by the industry. Increase sales of biocontrol products as evidenced by EU survey data	HDC	Over 50 EAMUs obtained in 2013/14. New EAMUs are now emerging from the SCEPTRE programme and we are working with the Chemicals Regulation Directorate (CRD) to expedite the approval of new biocontrol products. We are also working on a new way of delivering crop protection R&D	On target – work in progress
Marketable yields improve by 5% over 5 years (by 2017) with more efficient use of inputs to maximise returns	Potato Council	Different components of marketable yield being addressed, eg production, storage and waste. Individual projects demonstrating incremental benefit but implementation may be compromised by environmental (weather) and regulatory barriers (eg pesticide availability)	On target – work in progress
From an evaluation of the R&D programme against a 2010 baseline, deliver a 5:1 cost/benefit per crop tonne from HGCA-funded R&D	HGCA	Current cost-benefit ratio for R&D projects is running at a minimum of £5.19:1	On target – work in progress
Improved carcase weights for sheep and beef measured against the age of slaughter by looking at kg carcase per day gain, both measured on a three-year rolling average	EBLEX	Sheep: -2.26% 2013 compared to 2012. Down due to adverse weather conditions over winter 2012/13 significantly affecting lamb crop Beef: +1.04% 2013 compared to 2012	Behind target Target met
Deliver Target 27 (27 pigs weaned per sow per year by 2016) as measured through national herd recording – from 22.80 in 2012	BPEX	Average increase of 0.94 in pigs weaned per sow per year for indoor herds and 0.23 for outdoor herds. New strategy launched in 2014 to focus on closing performance gap between English producers and their competitors	Behind target – work in progress
Face-to-face delivery with 4,200 dairy businesses that contribute milk levy	DairyCo	At the end of the year, there had been face-to-face interactions with 4,458 levy payers	Target met
Scope, design and deliver an AHDB-wide Project Management System by 2013 to enable effective 'birth to death' running of research and other projects	AHDB Corporate	Research managers are now using the new system. Refinements are being made as a result of practical usage. It is now in the process of being rolled out across AHDB	Target met
AHDB Objective 3: Improve marketing in the industry to help profitability and customer awareness			
Provision of information on key trends in production	HDC	We are in the process of collecting a second year of data via the levy form which will allow us to start to analyse production trends in our levy payer base later in 2013/14	On target – work in progress
3% shift in consumer (25-44-year-olds) awareness that potatoes are not all the same, by 2014	Potato Council	3% shift in consumers overall with 4 to 6% shift among families who were targeted. The campaign showed that the most common variety was worth paying a bit more for	Target met

Deliver a 5% increase in proportion of crops grown for specific end markets, including exports, over the three-year period to 2016 as measured in the annual stakeholder 'intentions' survey	HGCA	2014 levy payer survey showed an increase to 25% from 16% in 2013 of those growing on forward contracts	On target – work in progress
Sustain percentage of lamb exports at 35% and beef exports at 17%	EBLEX	Lamb: 37.3% (total 2013) Beef: 15.5% (total 2013) due to very tight domestic supplies and high domestic demand linked to horse meat scandal	Target met Behind target
Consumer understanding of Red Tractor Pork core brand values to rise by 10% (51.9 in 2012), measured by consumer research, by 2015	BPEX	Composite consumer attitude data shows a 6% increase in consumer understanding of Red Tractor	On target – work in progress
Publication of milk price league table for 50 contracts each month	DairyCo	Table continues to be updated and published	Target met
Increase combined Market Intelligence publications circulation from 24,700 to 27,250 per month	AHDB Corporate	There was steady growth over 2013/14 and circulation stood at around 32,000 per month by the end of March 2014	Target met
AHDB 4: Improve services that the industry provides to the community			
Delivery of six Fellowships over the next three years and start-up of four new PhD studentships per year	HDC	Seven Fellowships are now running and six new PhD studentship projects were funded during 2013/14. We are currently developing a second round of Fellowships	On target – work in progress
Reach 0.5 million primary school children at a cost per child of 29p (12% lower cost than 2012/13)	Potato Council	14,600 or two-thirds of primary schools participate in 14-week growing programme. Estimated reach was 0.4 million children. Cost per child was calculated at 27p	Slightly behind on reach
10% increase in website visitors accessing key information over three-year period to 2016	HGCA	Traffic to key information for 13/14 is 2.26 million page views compared to 1.75 million in 12/13. This represents a 23% increase on last year	On target – work in progress
Generate at least 500,000 views of market information pages on the EBLEX website each year	EBLEX	1,392,035 for 11 months to the end of February 2013	Target met
1,000 members of the industry actively engaged in training and skills development annually by 2016	BPEX	880 members of the pig industry engaged in training and skills development during 2013/14	On target – work in progress
First page result for internet search engines for relevant search terms	DairyCo	The 5 top search terms remain on first page of Google search	Target met
Delivery of an AHDB skills strategy	AHDB Corporate	An Industry-wide Skills Strategy sponsored by AHDB was launched at a Skills Summit on 6 Nov 2013	Target met
Corporate Objective 5: Improve ways in which the industry contributes to sustainable development			
Complete the knowledge and priorities review and share/discuss outputs with industry to inform development of project tenders for future work	HDC	HDC has let tenders for reviews in the areas of soil and nutrient management, water use, and detection and control of oomycete fungi	On target – work in progress
Eight potato supply chains recognise Potato Council's contribution to achieving their sustainability targets	Potato Council	Testimonials received for more than eight key businesses, eg Pepsico and sustainability messages subsumed into 'One Voice' campaign, supported and endorsed by key trade associations (NFU, NFUS, PPA, FPSA and BPTA)	Target met
Increase the proportion of research projects which include environmental improvement factors	HGCA	24 research projects have been commissioned in the current research strategy (2011-14) which include a scrutiny of environmental improvement factors as part of the approvals process	On target – work in progress
Audit 60 farms to establish the carbon footprint and monitor for 3 years for improvement in response to changes in management and performance	EBLEX	Insufficient interest from farms recruited as part of StockTake process, as a consequence this project has been discontinued as not delivering value for money	Project withdrawn
Improve GHG equivalent impact of pork production by 4% by 2016	BPEX	Independent LCA report confirms the reduction in climate change potential achieved to date, of 26 % amounts to 800,000 tonnes of CO ₂ eq in 2012 compared to 2008	Target met
Carbon measurement of 400 farms and publication of results by March 2014	DairyCo	Carbon measurement data collection for 400 farms achieved	Target met
Work with partner organisations (NFU, AIC, CLA and others) to develop and deliver advice for on-farm actions aimed at delivery of the targets for GHG emissions reduction that have been set within the Industry GHG Action Plan	AHDB Corporate	The recent Committee on Climate Change report indicates steady progress on GHG reduction and GHG emissions reduction is now well-embedded in AHDB KT activities and messaging. The revised "Campaign for the Farmed Environment" (including GHGAP) is an effective industry partnership. The "Farm Efficiency Hub" is progressing	Target met

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

Financial review of the year

Introduction

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

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

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

AHDB's Corporate Governance is described and reviewed in the Corporate Governance section on [pages 29 to 33](#).

Funding

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

Principal risks and uncertainties

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

The main trends and factors likely to affect the development or performance of AHDB are those which impact on our levy payer businesses and threaten their ability to remain economically viable – these continue to be the impact of extreme weather on businesses, commodity price volatility, the pressure on parts of the agricultural sector around reducing greenhouse gas emissions, CAP Reform, issues to do with food security and the need to protect soils, water, 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

Levy payers' accumulated funds increased by £0.1 million in the year while AHDB's results show net comprehensive income of £2.8 million for the year (2012/13 restated: deficit £0.8 million). £2.7 million of the surplus is due to increase in the carrying value of the MLC Pension scheme asset, which, as it belongs to the pension scheme, is not available to spend on levy payer activities. Levy income reduced by £1 million to £54 million from the total in the previous year, most notably in HGCA which ended the year £1.5 million below the previous year's income. Due to general reserves having increased in recent years in line with the Reserves Policy, AHDB was still able to meet its planned increase in the amount spent on direct levy payer-facing activities at £54.4 million, being £1.2 million above the previous year's level which in itself had been a record level of expenditure.

The cash balance at the end of the year was £19.2 million. Cash at bank is a fundamental component of our Reserves Policy, which is designed to fund a fluctuating working capital cycle as well as maintain a base fund to protect AHDB's ability to continue to provide levy payer services should industry circumstances lead to an unexpected short-term reduction in our income. Due to normal income and expenditure cycles, the cash balance is higher at the end of March than at most times of the year. Cash is usually at its lowest in the summer months.

Pension schemes

AHDB, in accordance with Government Financial Reporting Manual for the year ended 31 March 2014, accounts for its pension scheme obligations under the full accounting requirements of IAS 19 (revised): 'Accounting for Retirement Benefits in Financial Statements of Employers'. The accounting standard was revised this year, leading to a number of restatements being made in our reported prior year figures. The revision requires pension schemes to account for their expenses directly as charged, which affects the value of assets recognised in AHDB's accounts. There are legacy pension schemes from the Meat and Livestock Commission (MLC) and HGCA with recognition of pension assets of £9.7 million and liabilities of £0.15 million, respectively, in the AHDB Statement of Financial Position. These assets and liabilities are owned by MLC and HGCA Pension Schemes and, in accordance with the Pension Scheme Surpluses (Valuation) Regulations 1987, are not available to AHDB.

Fixed assets

During the year, AHDB disposed of its last freehold property which had been held for resale. The only freehold property now owned is in use and was professionally revalued at 31 March 2014. It is included in the balance sheet at that value and will be depreciated to account for wear and tear until its next revaluation in three years' time. 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.

The gender split of the average full-time equivalent staff employed across the whole of AHDB in 2013/14 was 258 (53%) male and 229 (47%) female. For staff working on levy activities, the split was 155 (41%) male and 219 (59%) female. Out of the 12 members of the Senior Executive Team during 2013/14, 10 were male and 2 were female.

Absence due to sickness is monitored across the AHDB group and in the year ended 31 March 2014, days lost through sickness equated to 4.5 days per full-time equivalent employee or 1.73% of total attendance (2013: 3.5 days, 1.35%).

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

Payment policy

It is the policy of AHDB to pay accounts according to suppliers' payment terms or, where such terms are not specified, to pay within 30 days of agreement of the amount invoiced. As at 31 March 2014, the amount owing to trade creditors equates to 20 days' purchases outstanding (2013: 18 days).

Environmental issues

AHDB's own long-term environmental targets will be put in place once the organisation has established itself in its final office accommodation on Stoneleigh Park, replacing the various temporary offices it currently occupies, later in 2014. Measures have been monitored for year ending 31 March 2014 and targets representing a continuous improvement will be set on the basis of that data, for the year ending 31 March 2015 and beyond. Further information is supplied in the Sustainability Report on [page 22](#).

Auditor

The external auditor of AHDB and MLCSL 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 3 June 2014.

Sustainability report

Introduction and performance summary: Sustainability is right at the heart of the solutions we deliver for our levy payers, our purpose being “to make our agriculture and horticulture industries more competitive and sustainable through factual, evidence-based advice, information and activity”. However, as an organisation formed only recently, which has been in transition for its first few years, particularly in location and working environment, it has not been an area for which internal AHDB objectives and targets have been set. As a result, we have been unable to quantify performance until recently where we have reported base data where it is available. We act responsibly as an employer and as an organisation through such mechanisms as encouraging car sharing, our waste recycling and our purchasing from sustainable sources, where possible. For example, we set firm requirements for our cleaning contractors to adhere to government buying standards, which include using only environmentally friendly products and packaging.

Strategy: In March 2012, the Board agreed that AHDB needed to collect baseline data, which was done as far as the current accommodation arrangements allow, from 2012/13. The Board looked to improve sustainability, where appropriate, in consideration of that baseline data.

During 2012/13, AHDB introduced an updated company car policy which restricts the choice of car CO₂ emissions to a maximum of 125. The policy also encourages staff to seek alternatives to long distance driving where possible. This will come much more into effect when the organisation takes occupation of its new leased premises, from the Autumn of 2014, which will incorporate extensive new facilities to enable much greater use of remote conferencing facilities particularly for staff meetings.

AHDB’s carbon footprint, measured in tonnes of CO₂, (see table), shows that travel accounts for more than half of the emissions. AHDB sees this as a priority area for seeking to reduce its CO₂ emissions. It is noted that the number of miles travelled increased in 2013/14 by 6%, which is caused by an increase in levy payer-facing staff numbers, and particularly where regional and field-based teams are working directly with levy payers in response to needs and requirements identified through levy payer engagement.

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

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

Measures: AHDB collected the following baseline data for 2012/13, and compared it in 2013/14:

Greenhouse Gas Emissions	Year ended 31 March 2014		Year ended 31 March 2013	
	Measure	Tonnes CO ₂	Measure	Tonnes CO ₂
Scope 1: Direct Emissions				
Bulk Fuels:				
Vehicles (miles)	1,675,493	388	1,554,009	360
Heating oil (litres)	36,994	89	37,363	111
Gas (kWh)	149,469	27	153,008	28
Scope 2: Energy Indirect				
Electricity (kWh)	978,300	433	929,201	490
Scope 3: Other Indirect Emissions:				
Rail travel (miles)	173,111	14	159,765	14
Travel by non-AHDB-owned transport (miles)	965,096	294	929,550	283
Waste management (tonnes)	41	5	24	3
Total		1,250		1,289
Tonnes/£m income		19.6		20.0

Water: Due to the temporary nature of AHDB’s current accommodation, we do not have water meters fitted to our main office premises and we have emphasised to our landlord and developers that this is a firm requirement for our permanent offices, which we expect to occupy from the Autumn of 2014. The cost of the water supply is allocated to the various occupants of the Stoneleigh Park site as part of the ‘service charges’. The total cost of our water supply in 2013/14 was £3k (2012/13: £8k). This information is provided for illustrative purposes, it is based on allocation which may not equate to usage. The decrease was due to the reduction in the number of properties and buildings occupied during the year.

Waste management: Although there are no Council-run waste recycling collections at our main office site, we recycle waste paper and cardboard, plastic bottles and printer cartridges. The analysis of our total waste is that 23 tonnes were recycled and 18 tonnes went to landfill. The total spend on waste management in the year was £14k (2013: £19k). AHDB actively encourages recycling of packaging materials and paper.

Remuneration report

Membership of the Remuneration and Nominations Committee

Membership of the Remuneration and Nominations Committee consists of four AHDB Board members appointed by the Board. The Chairman of the Committee throughout the year was Tim Kelly, an independent AHDB Board member. The other members of the Committee as at 31 March 2014 were Tim Bennett, Lorraine Clinton and Stewart Houston. Membership is reviewed periodically or on termination of a member's appointment.

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

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

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

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

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

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

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

Methods used to assess whether performance conditions are met

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

Proportion of remuneration which is subject to performance conditions

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

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

Policy on duration of contracts and notice periods and termination payments

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

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

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

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 2014.

	Contract start date	Contract expiry date	Contract	Unexpired term
Tom Taylor, Chief Executive	01-May-10	Indefinite	6 months	Not applicable
Nick Allen: Director of EBLEX Sector	01-Oct-09	Indefinite	6 months	Not applicable
Guy Attenborough: Director of Communications and Legal Services	07-Sep-10	Indefinite	6 months	Not applicable
Ken Boyns: Director of Market Intelligence	01-Nov-10	Indefinite	6 months	Not applicable
Rob Clayton: Director of Potato Council Sector	22-Feb-10	Indefinite	6 months	Not applicable
Ian Crute: Chief Scientist	01-Sep-09	30-Sep-14	Not applicable	Not applicable
Rebecca Geraghty: Director of HGCA Sector	01-Jun-09	Indefinite	6 months	Not applicable
Chris Goodwin: Director of Finance and Business Services	28-Feb-11	Indefinite	6 months	Not applicable
Bill Parker: Director of HDC Sector	25-Aug-09	Indefinite	6 months	Not applicable
Duncan Pullar: Director of DairyCo Sector	01-Nov-10	Indefinite	6 months	Not applicable
Mick Sloyan: Director of BPEX Sector	01-Oct-02	Indefinite	6 months	Not applicable

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

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 2014. 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.

	Basic salary (Bands of £5,000)		Bonus (Bands of £5,000)		Benefits in kind (Nearest £100)		Compensation (Bands of £5,000)		Pension benefit (Nearest £000)		Total (Bands of £5,000)	
	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13	2013-14	2012-13
Tom Taylor	150-155	145-150	5-10	5-10	10,200	10,000	-	-	15,000	15,000	185-190	180-185
Nick Allen	70-75	70-75	Waived	0-5	8,500	9,400	-	-	12,000	13,000	95-100	100-105
Guy Attenborough	70-75	70-75	0-5	0-5	10,600	9,100	-	-	12,000	13,000	90-95	95-100
Ken Boyns	80-85	80-85	0-5	0-5	9,000	9,100	-	-	10,000	10,000	105-110	105-110
Rob Clayton	65-70	65-70	0-5	0-5	5,600	6,500	-	-	7,000	7,000	80-85	80-85
Ian Crute (Note 1)	80-85	100-105	0-5	0-5	10,800	10,900	-	-	-	-	95-100	115-120
Jackie Dubery (Note 2)	60-65	80-85	5-10	5-10	4,800	7,500	60-65	-	6,000	8,000	140-145	105-110
Rebecca Geraghty	65-70	65-70	Waived	Waived	6,300	6,100	-	-	15,000	12,000	85-90	85-90
Chris Goodwin	85-90	80-85	5-10	5-10	8,200	8,000	-	-	9,000	8,000	105-110	105-110
Bill Parker	65-70	65-70	0-5	0-5	8,200	8,300	-	-	7,000	7,000	80-85	80-85
Duncan Pullar	70-75	70-75	0-5	0-5	4,900	7,000	-	-	11,000	12,000	90-95	90-95
Mick Sloyan	85-90	85-90	5-10	5-10	10,100	10,300	-	-	3,000	1,000	105-110	100-105

Note 1: Ian Crute reduced his working commitments in a phased manner through the year.

Note 2: Jackie Dubery left AHDB due to redundancy on 31 December 2013. Her compensation payment equated to her contractual entitlements.

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 2014.

	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	9.5%	15.0%
Guy Attenborough: Director of Communications and Legal Services	MLC Defined Benefit Scheme	9.5%	15.0%
Ken Boyns: Director of Market Intelligence	AHDB Group Personal Pension Plan	5.0%	12.5%
Rob Clayton: Director of Potato Council Sector	AHDB Group Personal Pension Plan	5.0%	10.0%
Ian Crute: Chief Scientist	Private pension arrangement	-	-
Jackie Dubery: Director of Human Resources and Corporate Services (left 31 December 2013)	AHDB Group Personal Pension Plan	7.0%	10.0%
Rebecca Geraghty: Director of HGCA Sector	HGCA Defined Benefit Scheme	6.5%	17.2%
Chris Goodwin: Director of Finance and Business Services	AHDB Group Personal Pension Plan	5.0%	10.0%
Bill Parker: Director of HDC Sector	AHDB Group Personal Pension Plan	5.0%	10.0%
Duncan Pullar: Director of DairyCo Sector	MLC Defined Benefit Scheme	9.5%	15.0%
Mick Sloyan: Director of BPEX Sector	MLC Defined Benefit Scheme	9.5%	15.0%

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 2014.

	Total accrued pension			Cash equivalent transfer value		
	Annual entitlement as at 31-Mar-14	Real terms inc in year	Annual entitlement as at 31-Mar-13	As at 31-Mar-14	Real terms inc in year	As at 31-Mar-13
	£'000	£'000	£'000	£'000	£'000	£'000
Nick Allen: Director of EBLEX Sector	15-20	0-2.5	15-20	291	14	249
Guy Attenborough: Director of Communications and Legal Services	15-20	0-2.5	15-20	207	11	174
Rebecca Geraghty: Director of HGCA Sector	15-20	0-2.5	10-15	324	15	298
Duncan Pullar: Director of DairyCo Sector	15-20	0-2.5	15-20	228	11	193
Mick Sloyan: Director of BPEX Sector	50-55	0-2.5	50-55	897	10	810

Total accrued pension

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

Cash equivalent transfer value (CETV)

This is the actuarially assessed capitalised value of the pension scheme benefits accrued by a member at a particular point in time. The benefits valued are the member's accrued benefits and any contingent spouse's pension payable from the scheme. It is a payment made by a pension scheme or arrangement to secure pension benefits in another pension scheme when the member leaves a scheme and chooses to transfer the pension benefits they have accrued in their former scheme. CETVs are calculated within the guidelines and framework prescribed by the Institute and Faculty of Actuaries.

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

Set out below are details of the employer's contributions made on behalf of AHDB's senior executive staff who were members of a defined contribution scheme during the year to 31 March 2014.

	Employer's contributions	
	For the year ended 31-Mar-14	For the year ended 31-Mar-13
	£'000	£'000
Tom Taylor: Chief Executive	15	15
Ken Boyns: Director of Market Intelligence	10	10
Rob Clayton: Director of Potato Council Sector	7	7
Jackie Dubery: Director of Human Resources and Corporate Services	6	8
Chris Goodwin: Director of Finance and Business Services	9	8
Bill Parker: Director of HDC Sector	7	7

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 2013/2014 was £170k - £175k (2012/13: £165k - £170k). The median remuneration of the workforce was £30k - £35k, a ratio of 4.9 times (2012/13: £30k - £35k, 5.2 times).

In 2013/14 and 2012/13, 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 2014. No other cash or non-cash benefits were provided to AHDB Board members.

	For the year ended 31-Mar-14 £'000	For the year ended 31-Mar-13 £'000
John Godfrey: Chairman of AHDB	50-55	50-55
Tim Bennett: Chairman of DairyCo Sector Board	45-50	45-50
Christopher Bones: Independent Director of AHDB (resigned 31 March 2014)	-	10-15
Neil Bragg: Chairman of HDC Sector Board	45-50	45-50
Lorraine Clinton: Independent Director of AHDB	20-25	20-25
John Cross: Chairman of EBLEX Sector Board	50-55	45-50
Stewart Houston: Chairman of BPEX Sector Board	45-50	45-50
Tim Kelly: Independent Director of AHDB	10-15	5-10
Will Lifford: Independent Director of AHDB	10-15	-
David Piccaver: Chairman of Potato Council Sector Board (resigned 11 October 2013)	15-20	-
Allan Stevenson: Chairman of Potato Council Sector Board (resigned 31 March 2014)	-	45-50
Jonathan Tipples: Chairman of HGCA Sector Board	45-50	45-50

The emoluments of AHDB's Board members during the year ended 31 March 2014 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 pension schemes and trustee of the HGCA pension scheme.

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

	Contract start date	Contract end date
John Godfrey: Chairman of AHDB	16-May-11	31-Mar-14
Tim Bennett: Chairman of DairyCo Sector Board	01-Apr-12	31-Mar-14
Neil Bragg: Chairman of HDC Sector Board	01-Apr-12	30-Sep-14
Lorraine Clinton: Independent Director of AHDB	01-Apr-12	30-Sep-14
John Cross: Chairman of EBLEX Sector Board	01-Apr-12	31-Mar-15
Stewart Houston: Chairman of BPEX Sector Board	01-Apr-12	31-Mar-15
Tim Kelly: Independent Director of AHDB	13-Aug-12	31-Mar-15
Will Lifford: Independent Director of AHDB	01-Apr-13	31-Mar-16
Jonathan Tipples: Chairman of HGCA Sector Board	01-Apr-12	31-Mar-15

Ministers appointed Peter Kendall (Chairman, AHDB) and Fiona Fell (Chairman, Potato Council Sector Board) to the Board. Their contracts commenced on 1 April 2014 and expire on 31 March 2017.

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



Agriculture & Horticulture
DEVELOPMENT BOARD

Agriculture and Horticulture Development Board Financial Section 2013/14

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

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

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

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

The Accounting Officer of the Department for Environment, Food and Rural Affairs has designated the Chief Executive as the Accounting Officer of AHDB. The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding AHDB's assets, are set out in the Non-Departmental Public Bodies' Accounting Officer Memorandum and *Managing Public Money*, issued by HM Treasury.

Governance statement 2013/14

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

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.

The purpose of governance

The process of governance, which incorporates the system of internal control, is designed to manage risk to a reasonable level rather than to eliminate all risk of failure to achieve policies, aims and objectives; it can, therefore, only provide reasonable and not absolute assurance of effectiveness. It is a continuing process designed to determine the organisation's appetite for risk before identifying and prioritising the risks to the achievement of AHDB's policies, aims and objectives, to evaluate the likelihood of those risks being realised and the impact should they be realised and to manage them efficiently, effectively and economically.

The process of governance and system of internal control were further embedded throughout the organisation during the year ended 31 March 2014 and up to the date of approval of the Annual Report and Accounts and accords with HM Treasury guidance.

Leadership

Leadership over the governance and risk management process is provided by the AHDB Board, Sector Boards, the Audit Committee and the Senior Executive Team (SET). During the financial year ended 31 March 2014, 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), Director of Human Resources and Corporate Services (HRCS), and the Director of Market Intelligence (MI) acting as key programme managers. There is a risk management policy in place which details how the organisation manages governance and risk across the organisation and this is outlined in the sections below.

The risk and control framework

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

Risk management policy

AHDB's risk management policy constitutes a key element of its internal control and corporate governance framework and covers AHDB's approach to risk management, roles and responsibilities and key aspects of the risk management process. The risk management policy and procedures are actively embedded throughout the organisation, through a formal monthly review process (led by the SET Risk Management Committee) and by cascading risk management across the organisation by holding formal training sessions for sector and corporate management teams. The risk management policy is reviewed annually by the Audit and Risk Assurance Committee (ARAC). As part of the process to embed a risk management culture throughout the organisation, risk management is a standing item on all divisional management meetings and the risk policy is available to all staff via the intranet. The AHDB risk register covers corporate as well as operational risks, which use lower materiality limits at divisional level. Formal project risk registers are required to cover any project with a value greater than £500k.

Risk appetite

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

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

Risk register

The AHDB risk register covers corporate as well as operational risks, which use lower materiality limits at divisional level. This register is presented to each SET and ARAC meeting, and annually to the AHDB Board. A SET Risk Management Committee, consisting of the Directors of Market Intelligence, FABS & HR, and Communications, two Sector Directors in rotation, the Head of IT and a field-based sector manager, meets monthly to consider and review the Risk Register in detail and consider potential new risks to be added to the register.

Risks are evaluated and scored according to their likelihood and their impact, and mitigating controls and other actions which may reduce the risk are considered. Risks are then categorised as Red/Amber/Green

according to the Net Risk score. During 2013/14, key risks focused on the main challenges the organisation faced and mitigations it identified and put in place, included:

Risk	Mitigation
Risk of the capacity and succession capabilities of UK research providers diminishing. This will lead to use of funds for Research being directed by available expertise rather than to address industry priorities.	Maintain AHDB support for PhD training; maintain current awareness of sufficiency and deficiency of capacity to meet requirements by sector and disciplines; proactive establishment of research consortia where appropriate.
The potential for one or more levies to be withdrawn. If some levy payers are dissatisfied, there is a mechanism available for them to call a ballot which if successful would deprive other levy payers of services they value.	Ensure the Corporate Plan and detailed business plans have industry support; ensure activities are valued by levy payers through wide consultation and structured stakeholder dialogue.
AHDB operates in a wide range of locations covering diverse working conditions which can involve its employees being exposed to environments where arrangements for health and safety rest with third parties. In addition, a number of employees undertake extensive travel on behalf of the organisation.	AHDB has commissioned health and safety experts to audit our framework and compliance with regulations across the group, and ensured all employees including the Board have received relevant and appropriate training. Health and Safety remains a standing agenda item on the AHDB and commercial subsidiary Board agendas.

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. In addition, the Director of FABS & HR is a member of the Defra Network Fraud and Error Board. Detailed training has been delivered to the AHDB Board and Senior Executive Team on the Bribery Act and Anti-fraud legislation. An online training module is completed annually by all staff.

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. The SI are reviewed and approved by the AHDB Board every two years.

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 following extensive preparation and review 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 as well as sectors, sit behind the Corporate Plan.

The Corporate Plan provides an essential context for the development of business plans and financial budgets, which are produced annually for the forthcoming 12-month period and underpin the three-year Corporate Plan.

Procurement policy and protocol

Under the leadership of the Procurement Controller, the procurement function is integrated with the rest of the organisation in employing best practice. The function met its financial target for the year 2013/14, to generate cost savings higher than its cost, for the third year since its formation in 2010/11.

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

Information security framework

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

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

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

Review of effectiveness

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

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the ARAC and a plan to ensure any

necessary improvements to the system are in place. AHDB embraces the principles and requirements of good corporate governance and we have an established SET Risk Management Committee and operate the following framework in maintaining and reviewing the effectiveness of the system of internal control.

AHDB Board

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

In keeping with the corporate governance code for central government, the Board operates with the support of two sub-committees, the ARAC, and Remuneration and Nominations. The committees are managed against an agreed set of terms of reference. Attendance of the Board members at the Board and Committee meetings held during the year were:

	Board		ARAC		Remuneration	
	Available	Attended	Available	Attended	Available	Attended
John Godfrey	6	6	N/A		N/A	
Tim Bennett	6	6	N/A		2	2
Neil Bragg	6	6	4	4	N/A	
Lorraine Clinton	6	6	4	3	2	2
John Cross	6	6	4	3	N/A	
Stewart Houston	6	5	N/A		2	2
Tim Kelly	6	5	N/A		2	2
Will Lifford	6	6	4	4	N/A	
David Piccaver	3	2	N/A		1	0
Jonathan Tipples	6	5	4	4	N/A	
Ian Martin	N/A		4	4	N/A	

Ian Martin, while not being on the AHDB Board, is on the ARAC in his capacity as an Independent DairyCo sector board member. As noted on [page 5](#), David Piccaver resigned from the Board on 31 October 2013. David's resignation was due to ill health and, sadly, he passed away shortly after.

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

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

The AHDB Board, which met six times last year, has a number of key roles in the management of risk, including setting the tone and influencing the culture of risk management within AHDB. This included determining the level of risk that is acceptable in specific areas of activity. The Board achieves this by applying the criteria described

in the section 'Risk Appetite' covered earlier in the Governance Report.

There are a number of standing items on which the Board receives written reports for information, discussion or on which to make decisions. These include declarations of interest; health and safety review; financial information in the form of the most recent management accounts and Finance Director's report covering performance, liquidity and risk; quarterly activity, risk and opportunity updates from each sector and corporate function; latest minutes of committees; Chair and Chief Executive reports; reports on pension issues and summary Risk Register. In addition, reports are circulated to the Board as appropriate, covering current industry issues to enable the Board to determine priorities for AHDB and ensure it develops its strategy to deliver services in line with the industry's needs. During 2013/14, examples of such reports have included:

Board topics	Outcome
Report on EU Framework Programme 8 (Horizon 2020)	The Board considered the opportunities the Horizon 2020 programme is expected to deliver to the agriculture and horticulture industries and approved the investment in resources to enable AHDB to be positioned to be involved in a leading capacity at strategic level
Developing markets in the Far East	An area of success for AHDB has been to help develop export markets for UK produce. There is an opportunity over the longer term to upscale this growth, particularly in China, and the Board approved AHDB setting up an office in China with suitable resource to enable that development to be pursued
Discussion regarding input costs and discrepancies therein across different geographical markets	The Board discussed this issue which is critical to the performance of businesses across all of AHDB's sectors. They agreed to investigate this further with a view to raising the profile of issues preventing British businesses taking advantage of cheaper purchases which, in many areas, their counterparts elsewhere in the EU are able to do

The Accounting Officer and Director of FABS & HR attend Board meetings, with other members of the Executive team attending for appropriate agenda items and to discuss papers relating to their areas of expertise. The Board regularly reviews the type and quality of information it receives, including the regular reports, in order to

engender a culture of continuous improvement. The Board has developed a programme which includes holding informal sessions with the SET, including in-depth reviews of the data they receive and ensuring they continue to relate to items pertinent to levy payers. The Board considers the quality of data it receives as being acceptable for the purpose of enabling it to make its decisions as necessary to discharge its duties. Where further information is required, it is provided either at the next meeting or is circulated to enable decisions to be finalised sooner if required.

The effectiveness of the Board is assessed by holding annual individual appraisals of each Board member with the Chair, while the performance of the Chair is reviewed by Defra. The Board also assesses its own effectiveness by individually completing evaluations for each agenda item and contributor. These are reviewed and followed up by the Chair. The process for assessing Board effectiveness has been further developed in 2013/14 by the introduction of a formal and comprehensive Board Effectiveness review document (based on a National Audit Office (NAO) template) for completion by all Board members. As this was completed during the year for the first time, its outcomes are to be used as a base point and a more complete critical appraisal carried out when the second year's outcomes are received in 2014/15. The review provided a reasonable level of confidence that the Board believes it has acted effectively in the year while highlighting development areas to be monitored and progress reviewed at the next review. The Board considers that it has complied with the Corporate Governance Code insofar as it applies to externally funded Arm's Length Bodies (ALBs).

Remuneration and Nominations Committee

Membership of the Remuneration and Nominations Committee is detailed on [page 5](#), and attendance is recorded in the table on [page 31](#). The Committee is chaired by an Independent Non-executive Director from AHDB and includes three sector chairs from the Board. During 2013/14, the Committee has had to continue to implement stringent government expectations on pay. The Remuneration and Nominations Committee meets at least twice a year to:

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

During 2013/14, the Committee continued to recruit to the sector boards against the phased programme of rotation agreed in 2010. There were 22 vacancies to be filled, covering all Divisions. The vacancies were advertised in national newspapers and specific industry journals and 343 application packs were sent out, 45 interviews were held and 21 of the 22 posts were successfully appointed.

Audit and Risk Assurance Committee

Membership of the Audit and Risk Assurance Committee (ARAC) is detailed on [page 5](#). Meeting attendance is covered in the table on [page 31](#).

The broad thrust of AHDB's ARAC Terms of Reference is that the ARAC supports the Accounting Officer with a constructive and challenging approach. The remit of the ARAC is defined to include advising the Accounting Officer on strategic processes for risk control, governance and the Governance Statement, as well as considering the planned activity and results of both internal and external audit. The ARAC reports formally to the Board each year on the work it has carried out and the assurance it has derived from it.

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

The ARAC 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 ARAC has undertaken the following key activities:

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

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

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

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

Internal auditors

AHDB's internal audit function is outsourced, as part of a contractual arrangement with Defra, and was supplied by Baker Tilly until 31 March 2014, the conclusion of their three-year contract. They have been replaced by KPMG under a new three-year arrangement with effect from 1 April 2014. AHDB was allocated 75 days per year of the outsourced provider's internal audit resource. The function

operates to standards defined in the Government Internal Audit Standards. The internal audit function has a central role in assessing the robustness of the implementation of the risk management strategy and management of internal controls across AHDB. It provides information on the various strengths and weaknesses of the approach and advises on where improvements are necessary and desirable for the good governance of AHDB.

The internal audit strategy and work programme for AHDB is derived from AHDB's assessment and evaluation of risks and is approved by the ARAC. Core financial systems are audited annually, while risk management and corporate governance are audited or followed up each year. The strategy takes into account that a proportion of the 75 days' allocation is used to follow up recommendations made in previous years' audits to ensure that areas for improvement identified by the Internal Auditors are actioned. During 2013/14, other areas covered by internal audits included AHDB's commercial subsidiary MLCSL, Health and Safety, and overseas office activities.

The AHDB Senior Executive Team (SET)

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

Significant internal control issues

No significant internal control issues were brought forward from 2012/13 and no new ones were raised in 2013/14.

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 2014 under the Natural Environment and Rural Communities Act 2006. The financial statements comprise: the Consolidated Statement of Comprehensive Income, the Consolidated and AHDB Statements of Financial Position, the Consolidated and AHDB Statements of Movement in Reserves, the Consolidated and AHDB Cash Flow Statements and the related notes. These financial statements have been prepared under the accounting policies set out within them. I have also audited the information in the Remuneration Report that is described in that report as having been audited.

Respective responsibilities of the Board and Chief Executive, and auditor

As explained more fully in the Statement of the Board's and Chief Executive's Responsibilities, the Board and the Chief Executive as Accounting Officer are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. My responsibility is to audit, certify and report on the financial statements in accordance with the Natural Environment and Rural Communities Act 2006. I conducted my audit in accordance with International Standards on Auditing (UK and Ireland). Those standards require me and my staff to comply with the Auditing Practices Board's Ethical Standards for Auditors.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of: whether the accounting policies are appropriate to the group's and the Agriculture and Horticulture Development Board's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Agriculture and Horticulture Development Board; and the overall presentation of the financial statements. In addition I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

Opinion on regularity

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

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

Opinion on financial statements

In my opinion:

- the financial statements give a true and fair view of the state of the group's and of the Agriculture and Horticulture Development Board's affairs as at 31 March 2014 and of the group's surplus for the year then ended; and
- the financial statements have been properly prepared in accordance with the Natural Environment and Rural Communities Act 2006 and Secretary of State directions issued thereunder.

Opinion on other matters

In my opinion:

- the part of the Remuneration Report to be audited has been properly prepared in accordance with Secretary of State directions made under the Natural Environment and Rural Communities Act 2006; and
- the information given in the sections of the Annual Report entitled "AHDB Board and statutory committees" and "Management commentary" for the financial year for which the financial statements are prepared is consistent with the financial statements.

Matters on which I report by exception

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

- adequate accounting records have not been kept or returns adequate for my audit have not been received from branches not visited by my staff; or
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records and returns; or
- I have not received all of the information and explanations I require for my audit; or
- the Governance Statement does not reflect compliance with HM Treasury's guidance.

Report

I have no observations to make on these financial statements.

Amyas C E Morse
Comptroller and Auditor General

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

12 June 2014

Consolidated statement of comprehensive income for the year ended 31 March 2014

	Note	For the year ended 31-Mar-14 £'000	Restated For the year ended 31-Mar-13 £'000
Income			
Gross levy	2	54,075	55,061
Non-levy sources	2	9,560	9,401
Total income		63,635	64,462
Operating expenditure			
Levy collection			
Staff costs	2, 3	(377)	(377)
Other costs	2, 5	(913)	(923)
Core strategic activities			
Staff costs	2, 3	(19,796)	(18,725)
Other costs	2, 5	(42,156)	(41,813)
Current pension service cost	20d	(1,286)	(1,375)
Past pension service cost	20d	-	(19)
Total operating expenditure		(64,528)	(63,232)
Surplus on ordinary activities before interest and taxation		(893)	1,230
Interest receivable		190	26
Other finance income relating to pension schemes	20d	345	590
Surplus on ordinary activities before taxation		(358)	1,846
Taxation	6	(12)	3
Surplus for the financial year		(370)	1,849
Other comprehensive income			
Surplus for the financial year		(370)	1,849
Net gain/(loss) on revaluation of property, plant and equipment	10	61	-
Net gain/(loss) on revaluation of pension assets and liabilities	20d	3,088	(2,684)
Total comprehensive income/(expenditure)		2,779	(835)

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

The notes on pages 42 to 71 are an integral part of these consolidated financial statements.

Explanatory notes:

Restatements

The figures in many of the tables throughout the accounts on pages 35 to 71 have been restated due to a revision of International Accounting Standard 19 – Accounting for employee benefits. This relates to how pension scheme expenses are accounted for in actuarial reports and affects all organisations which operate defined benefit pension schemes. The effect has been to increase the value AHDB included in Statements of Financial position at 31 March 2013 on pages 36 and 37, by £5.3 million. The normal annual actuarial valuation has increased the pension revenue by a further £2.6 million in 2013/14, which is accounted for in the Statement of Comprehensive Income above. The pension asset is not available to AHDB as the assets and liabilities are owned by the pension schemes.

Consolidated statement of financial position as at 31 March 2014

	Note	As at 31-Mar-14		Restated As at 31-Mar-13	
		£'000	£'000	£'000	£'000
Non-current assets					
Property, plant and equipment	7	1,169		892	
Intangible assets	9	-		-	
Pension asset	20e	9,700		7,100	
Total non-current assets			10,869		7,992
Current assets					
Assets classified as held for sale	11	-		1,150	
Inventories		16		13	
Trade and other receivables	12	10,104		10,489	
Cash at bank and in hand	13	19,182		20,745	
Total current assets			29,302		32,397
Total assets			40,171		40,389
Current liabilities					
Trade and other payables	14	(10,393)		(13,444)	
Total current liabilities			(10,393)		(13,444)
Non-current assets plus net current assets			29,778		26,945
Non-current liabilities					
Provisions	15	(352)		(234)	
Pension liability	20e	(152)		(216)	
Total non-current liabilities			(504)		(450)
Net assets			29,274		26,495
Reserves					
Accumulated funds			19,639		18,398
Total pension reserve			9,548		6,884
Revaluation reserve			87		1,213
Total reserves			29,274		26,495

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

Peter Kendall
Chairman

Tom Taylor
Chief Executive and Accounting Officer

3 June 2014

AHDB statement of financial position

as at 31 March 2014

	Note	As at 31-Mar-14		Restated As at 31-Mar-13	
		£'000	£'000	£'000	£'000
Non-current assets					
Property, plant and equipment	8	518		281	
Intangible assets	9	-		-	
Investments	10	650		609	
Pension asset	20e	9,700		7,100	
Total non-current assets			10,868		7,990
Current assets					
Assets classified as held for sale	11	-		1,150	
Trade and other receivables	12	9,507		9,740	
Cash at bank and in hand	13	18,239		19,322	
Total current assets			27,746		30,212
Total assets			38,614		38,202
Current liabilities					
Trade and other payables	14	(9,856)		(12,354)	
Total current liabilities			(9,856)		(12,354)
Non-current assets plus net current assets			28,758		25,848
Non-current liabilities					
Provisions	15	(352)		(234)	
Pension liability	20e	(152)		(216)	
Total non-current liabilities			(504)		(450)
Net assets			28,254		25,398
Reserves					
Accumulated funds			18,706		17,327
Total pension reserve			9,548		6,884
Revaluation reserve			-		1,187
Total reserves			28,254		25,398

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

Peter Kendall
Chairman

Tom Taylor
Chief Executive and Accounting Officer

3 June 2014

Consolidated statement of movement in reserves for the year ended 31 March 2014

	Note	Restated Accumulated reserve £'000	Restated Pension reserve £'000	Revaluation reserve £'000	Total reserves £'000
Balance at 1 April 2012		16,186	9,931	1,213	27,330
Surplus for the year	2b	1,849	-	-	1,849
Pension (loss)	20d	-	(2,684)	-	(2,684)
Other comprehensive income		-	(2,684)	-	(2,684)
Transfers to pensions reserve		363	(363)	-	-
Balance as at 31 March 2013		18,398	6,884	1,213	26,495
Surplus for the year	2a	(370)	-	-	(370)
Pension gain/(loss)	20d	-	3,088	-	3,088
Net gain on revaluation	10	-	-	61	61
Other comprehensive income		-	3,088	61	3,149
Transfers to pensions reserve		424	(424)	-	-
Transfers from revaluation reserve		1,187	-	(1,187)	-
Balance as at 31 March 2014		19,639	9,548	87	29,274

Reserves are allocated to the reporting segments as listed below:

BPEX		4,270	3,233	-	7,503
DairyCo		2,499	-	-	2,499
EBLEX		3,575	6,467	-	10,042
HDC		4,735	-	-	4,735
HGCA		2,812	(152)	-	2,660
Potato Council		1,748	-	87	1,835
Total		19,639	9,548	87	29,274

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 2014

	Restated Accumulated reserve £'000	Restated Pension reserve £'000	Revaluation reserve £'000	Total reserves £'000
Balance at 1 April 2012	14,975	9,931	1,187	26,093
Surplus for the year	1,989	-	-	1,989
Pension (loss)	-	(2,684)	-	(2,684)
Other comprehensive income	-	(2,684)	-	(2,684)
Transfers to pensions reserve	363	(363)	-	-
Balance as at 31 March 2013	17,327	6,884	1,187	25,398
Surplus for the year	(232)	-	-	(232)
Pension gain/(loss)	-	3,088	-	3,088
Other comprehensive income	-	3,088	-	3,088
Transfers to pensions reserve	424	(424)	-	-
Transfers from revaluation reserve	1,187	-	(1,187)	-
Balance as at 31 March 2014	18,706	9,548	-	28,254

Reserves are allocated to the reporting segments as detailed below:

BPEX	3,528	3,233	-	6,761
DairyCo	2,499	-	-	2,499
EBLEX	3,302	6,467	-	9,769
HDC	4,735	-	-	4,735
HGCA	2,812	(152)	-	2,660
Potato Council	1,830	-	-	1,830
Total	18,706	9,548	-	28,254

Consolidated cash flow statement for the year ended 31 March 2014

	Note	For the year ended 31-Mar-14 £'000	Restated For the year ended 31-Mar-13 £'000
Cash flows from operating activities			
Surplus on ordinary activities before taxation	2a	(358)	1,846
Adjustments for:			
Interest receivable		(190)	(26)
Depreciation and amortisation	7, 9	98	172
Current pension service cost	20d	1,286	1,375
Past service cost	20d	-	19
Other finance income	20d	(345)	(590)
(Surplus)/Deficit on disposal of property, plant and equipment	11	(330)	9
Impairment of property, plant and equipment	7	-	-
(Increase)/decrease in inventories		(3)	3
(Increase)/decrease in trade and other receivables	12	385	2,282
Increase/(decrease) in trade and other payables	14	(3,051)	778
Increase/(decrease) in provisions	15	118	(180)
Tax paid		(12)	3
Defined benefit scheme pension contributions paid	20e	(517)	(441)
Cash flows from operating activities		(2,919)	5,250
Cash flows from investing activities			
Interest received		190	26
Payments to acquire property, plant and equipment	7	(319)	(48)
Receipts from sale of property, plant and equipment	11	1,485	1,541
Cash flows from investing activities		1,356	1,519
Increase/(decrease) in cash and cash equivalents		(1,563)	6,769
Balance at 1 April		20,745	13,976
Net change in cash and cash equivalents		(1,563)	6,769
Balance at 31 March	13	19,182	20,745

AHDB cash flow statement

for the year ended 31 March 2014

	For the year ended 31-Mar-14 £'000	Restated For the year ended 31-Mar-13 £'000
Cash flows from operating activities		
Surplus on ordinary activities before taxation	(274)	1,986
Adjustments for:		
Interest receivable	(168)	(24)
Depreciation and amortisation	76	167
Current pension service cost	1,286	1,375
Past service cost	-	19
Other finance income	(345)	(590)
(Surplus)/Deficit on disposal of property, plant and equipment	(330)	9
Impairment of property, plant and equipment	-	-
(Increase)/decrease in trade and other receivables	233	2,201
Increase/(decrease) in trade and other payables	(2,498)	(94)
Increase/(decrease) in provisions	118	(150)
Tax paid	-	3
Defined benefit scheme pension contributions paid	(517)	(441)
Cash flows from operating activities	(2,417)	4,461
Cash flows from investing activities		
Interest received	168	24
Payments to acquire property, plant and equipment	(319)	(48)
Receipts from sale of property, plant and equipment	1,485	1,541
Cash flows from investing activities	1,334	1,517
Increase/(Decrease) in cash	(1,083)	5,978
Balance at 1 April	19,322	13,344
Net change in cash and cash equivalents	(1,083)	5,978
Balance at 31 March	18,239	19,322

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 for the year ended 31 March 2015. IAS19 (Employee Benefits) has been revised and came into force for the current year, and also requires the prior year figures to be restated for consistency. This has affected AHDB's reporting of its defined benefit pension schemes in its accounts for the year ending 31 March 2014. The additional disclosure requirements are recorded accordingly in Note 20.

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 Arm's Length Bodies Review and the debate with industry as to AHDB's future status in March 2011, the organisation has 'retained' status with the Cabinet Office until the next triennial review, to take place in 2014.

Accounting convention

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

Consolidation

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

Segmental Reporting

In addition to presenting the consolidated financial results and financial position in the financial statements, a breakdown of those results and balances by business segment is provided in line with IFRS 8, 'Segmental Reporting'. The presentation of segmental information is based on management responsibilities that existed at 31 March 2014 and the external and regulatory environments in which AHDB operates. The business segments are BPEX, DairyCo, EBLEX, HDC, HGCA and PCL. The segmental reporting disclosures can be found in Note 2.

Research and development expenditure

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

Leases

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

AHDB does not operate any finance leases.

Notes to the financial statements

1. Principal accounting policies (continued)

Property, plant and equipment

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

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

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

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

Freehold land is not depreciated.

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

Inventories

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

Trade receivables

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

Provisions

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

Foreign exchange

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

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

Financial instruments

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

Notes to the financial statements

1. Principal accounting policies (continued)

Pensions

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

a) Defined benefit schemes

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

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

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

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

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

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

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

IAS19 (Employee Benefits) has been revised and came into force for the current year, and also requires the prior year figures to be restated for consistency. This has affected AHDB's reporting of its defined benefit pension schemes in its accounts for the year ending 31 March 2014. The additional disclosure requirements are recorded accordingly in Note 20.

b) Defined contribution schemes

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

Notes to the financial statements

1. Principal accounting policies (continued)

Levy income

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

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

A calculation to ascertain the hypothetical levy gap has not been carried out as it is not deemed to be material.

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 biannually in arrears. At the year end, an estimate is made for levy income relating to the period 1 January to 31 March and is accounted for as accrued income. This is derived using the latest market intelligence and analysis of historical trends.

e) Potato levies (deployed by Potato Council)

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

Notes to the financial statements

2a. Analysis of income and expenditure by segment: actual for the year ended 31 March 2014

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

	BPEX division £'000	DairyCo division £'000	EBLEX division £'000	HDC division £'000	HGCA division £'000	Potato Council division £'000	AHDB Group total £'000
Income							
Gross levy	8,735	6,962	15,375	6,539	10,434	6,030	54,075
<i>Non-levy sources:</i>							
Fee and grant income	651	1,015	1,785	535	428	770	5,184
Commercial services income	1,459	-	2,917	-	-	-	4,376
<i>Subtotal non-levy sources</i>	2,110	1,015	4,702	535	428	770	9,560
Total income	10,845	7,977	20,077	7,074	10,862	6,800	63,635
Operating expenditure							
Levy collection	(160)	(47)	(279)	(79)	(474)	(251)	(1,290)
<i>Core strategic activities:</i>							
Research and development and knowledge transfer	(2,690)	(5,119)	(3,102)	(4,208)	(5,054)	(3,053)	(23,226)
Trade Development	(3,310)	(253)	(9,052)	-	(565)	(1,560)	(14,740)
International	(464)	-	(370)	-	(296)	(93)	(1,223)
Supply chain integration	(270)	-	(851)	-	(907)	(172)	(2,200)
Market intelligence	(681)	(1,053)	(1,359)	(45)	(671)	(474)	(4,283)
Communications	(512)	(948)	(623)	(1,285)	(1,461)	(19)	(4,848)
Support	(1,032)	(1,307)	(1,226)	(847)	(1,700)	(859)	(6,971)
Commercial services	(1,487)	-	(2,974)	-	-	-	(4,461)
<i>Subtotal core strategic activities:</i>	<i>(10,446)</i>	<i>(8,680)</i>	<i>(19,557)</i>	<i>(6,385)</i>	<i>(10,654)</i>	<i>(6,230)</i>	<i>(61,952)</i>
Current pension service cost	(400)	-	(800)	-	(86)	-	(1,286)
Past pension service cost	-	-	-	-	-	-	-
Total operating expenditure	(11,006)	(8,727)	(20,636)	(6,464)	(11,214)	(6,481)	(64,528)

Notes to the financial statements

2a. Analysis of income and expenditure by segment: actual for the year ended 31 March 2014 (continued)

	BPEX division £'000	DairyCo division £'000	EBLEX division £'000	HDC division £'000	HGCA division £'000	Potato Council division £'000	AHDB Group total £'000
Surplus on ordinary activities before interest and taxation	(161)	(750)	(559)	610	(352)	319	(893)
Interest receivable	40	38	46	23	26	17	190
Other finance income	100	-	200	-	45	-	345
Surplus on ordinary activities before taxation	(21)	(712)	(313)	633	(281)	336	(358)
Taxation	(4)	-	(8)	-	-	-	(12)
Surplus for the financial year	(25)	(712)	(321)	633	(281)	336	(370)
Net gain/(loss) on revaluation of property, plant and equipment	-	-	-	-	-	61	61
Net gain/(loss) on revaluation of pension assets and liabilities	1,033	-	2,067	-	(12)	-	3,088
Total comprehensive income/(expenditure)	1,008	(712)	1,746	633	(293)	397	2,779

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 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.

Pension assets and liabilities

The above includes the movements on pension scheme assets and liabilities which are not part of AHDB's available reserves. Excluding those movements, the net trading performance is:

	BPEX division £'000	DairyCo division £'000	EBLEX division £'000	HDC division £'000	HGCA division £'000	Potato Council division £'000	AHDB Group total £'000
Total comprehensive income/(expenditure)	1,008	(712)	1,746	633	(293)	397	2,779
Movement on Pension Asset/Liability	(867)	-	(1,734)	-	(64)	-	(2,665)
Underlying surplus for the financial year	141	(712)	12	633	(357)	397	114

Notes to the financial statements

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

	Restated BPEX division £'000	DairyCo division £'000	Restated EBLEX division £'000	HDC division £'000	Restated HGCA division £'000	Potato Council division £'000	Restated AHDB Group total £'000
Income							
Gross levy	8,555	6,611	15,154	6,772	11,953	6,016	55,061
<i>Non-levy sources:</i>							
Fee and grant income	596	502	1,453	449	298	1,300	4,598
Commercial services income	1,601	-	3,202	-	-	-	4,803
<i>Subtotal non-levy sources</i>	2,197	502	4,655	449	298	1,300	9,401
Total income	10,752	7,113	19,809	7,221	12,251	7,316	64,462
Operating expenditure							
Levy collection	(149)	(45)	(238)	(84)	(494)	(290)	(1,300)
<i>Core strategic activities:</i>							
Research and development and knowledge transfer	(2,921)	(4,491)	(2,672)	(4,257)	(5,020)	(2,773)	(22,134)
Trade Development	(3,181)	(244)	(9,075)	-	(559)	(1,726)	(14,785)
International	(381)	-	(327)	-	(294)	(91)	(1,093)
Supply chain integration	(282)	-	(830)	-	(514)	(239)	(1,865)
Market intelligence	(585)	(1,105)	(1,202)	(27)	(611)	(465)	(3,995)
Communications	(456)	(1,053)	(515)	(1,060)	(1,397)	(574)	(5,055)
Support	(1,180)	(1,248)	(1,639)	(757)	(1,630)	(947)	(7,401)
Commercial services	(1,403)	-	(2,807)	-	-	-	(4,210)
<i>Subtotal core strategic activities:</i>	(10,389)	(8,141)	(19,067)	(6,101)	(10,025)	(6,815)	(60,538)
Current pension service cost	(433)	-	(867)	-	(75)	-	(1,375)
Past pension service cost	-	-	-	-	(19)	-	(19)
Total operating expenditure	(10,971)	(8,186)	(20,172)	(6,185)	(10,613)	(7,105)	(63,232)

Notes to the financial statements

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

	Restated BPEX division £'000	DairyCo division £'000	Restated EBLEX division £'000	HDC division £'000	Restated HGCA division £'000	Potato Council division £'000	Restated AHDB Group total £'000
Surplus on ordinary activities before interest and taxation	(219)	(1,073)	(363)	1,036	1,638	211	1,230
Interest receivable	5	5	5	6	4	1	26
Other finance income	167	-	333	-	90	-	590
Surplus on ordinary activities before taxation	(48)	(1,068)	(24)	1,042	1,732	212	1,846
Taxation	-	1	-	1	-	1	3
Surplus for the financial year	(48)	(1,067)	(24)	1,043	1,732	213	1,849
Net gain/(loss) on revaluation of property, plant and equipment	-	-	-	-	-	-	-
Net (loss) on revaluation of pension assets and liabilities	(900)	-	(1,800)	-	16	-	(2,684)
Total comprehensive income/(expenditure)	(948)	(1,067)	(1,824)	1,043	1,748	213	(835)

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 are not separately reported by division.

Pension assets and liabilities

The above includes the movements on pension scheme assets and liabilities which are not part of AHDB's available reserves. Excluding those movements, the net trading performance is:

	BPEX division £'000	DairyCo division £'000	EBLEX division £'000	HDC division £'000	HGCA division £'000	Potato Council division £'000	AHDB Group total £'000
Total comprehensive income/(expenditure)	(948)	(1,067)	(1,824)	1,043	1,748	213	(835)
Movement on Pension Asset/Liability	1,067	-	2,133	-	(153)	-	3,047
Underlying surplus for the financial year	120	(1,067)	308	1,043	1,595	213	2,212

Notes to the financial statements

3. Staff numbers and related costs

	For the year ended 31 March 2014			Restated For the year ended 31 March 2013		
	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
Numbers employed						
The average full-time equivalent numbers employed by AHDB during the year were:						
Commercial activities						
Commercial services (see note below)	113	1	114	123	2	125
Levy-dependent activities						
Research and development and knowledge transfer	145	4	149	134	2	136
Promotion	34	-	34	33	-	33
International	16	-	16	14	-	14
Supply chain integration	9	-	9	5	-	5
Market intelligence	49	1	50	46	1	47
Communications	44	-	44	42	-	42
Support	77	3	80	76	3	79
Total levy-dependent activities	374	8	382	350	6	356
Total	487	9	496	473	8	481
Staff costs	£'000	£'000	£'000	£'000	£'000	£'000
Salaries	17,269	272	17,541	16,524	103	16,627
Social security costs	1,739	-	1,739	1,707	-	1,707
Defined benefit scheme current service costs (Note 20d)	1,286	-	1,286	1,375	-	1,375
Defined benefit scheme past service costs (Note 20d)	-	-	-	19	-	19
Defined contribution scheme costs	892	-	892	768	-	768
Total staff costs	21,186	272	21,458	20,393	103	20,496

Notes to the financial statements

4. Compensation and exit packages agreed for the year to 31 March 2014

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-14	For the year ended 31-Mar-13	For the year ended 31-Mar-14	For the year ended 31-Mar-13	For the year ended 31-Mar-14	For the year ended 31-Mar-13
< £10,000	3	4	1	-	4	4
£10,000 - £25,000	2	-	-	-	2	-
£25,000 - £50,000	-	1	-	-	-	1
£50,000 - £75,000	1	-	-	-	1	-
£75,000 - £150,000	2	1	-	-	2	1
Total number of exit packages	8	6	1	-	9	6
Total cost	£269,125	£161,004	£0	£0	£269,125	£161,004

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

Any exit packages relating to senior executives are disclosed in the Remuneration Report, on [page 24](#), together with their emoluments and remuneration. One compulsory redundancy in the £50k-£75k band relates to a senior executive.

Notes to the financial statements

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

	For the year ended 31-Mar-14 £'000	For the year ended 31-Mar-13 £'000
Surplus/(deficit) on ordinary activities before interest and taxation is stated after charging/(crediting)		
Rentals under operating leases:		
- Leasehold property rents	559	437
- Vehicle leases	698	620
- Hire of equipment	146	162
Research and development and knowledge transfer expenditure	23,226	22,134
Exchange (gains)/losses	-	-
Auditors remuneration and expenses	109	115
Non-cash items:		
Depreciation and amortisation	98	172
(Profit)/Loss on disposal of property, plant and equipment	(330)	(9)
Impairment of receivables	45	(15)
Provision made in year	352	-

Notes to the financial statements

6. Taxation

	For the year ended 31-Mar-14 £'000	For the year ended 31-Mar-13 £'000
Current tax		
UK corporation tax on commercial profits for the period	-	-
UK corporation tax on interest income for the period	44	6
Under-provision in respect of prior years	12	-
Over-provision in respect of prior years	(44)	(9)
Current tax charge/(credit) for the year	12	(3)
Allocated to accumulated funds		
BPEX division fund	4	-
DairyCo division fund	-	(1)
EBLEX division fund	8	-
HDC division fund	-	(1)
HGCA division fund	-	-
Potato Council division fund	-	(1)
Current tax charge/(credit) for the year	12	(3)

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

	For the year ended 31-Mar-14 £'000	For the year ended 31-Mar-13 £'000
Surplus on ordinary activities before taxation	(358)	3,374
Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 23% (2013: 24%)	(82)	810
Effects of:		
Income not chargeable for taxation purposes	13,444	14,318
Expenditure not deductible for taxation purposes	(13,570)	(13,508)
Standard UK corporation tax 23% (2013: 24%) on interest receivable	44	6
Under-provision in respect of prior years	12	-
Over-provision in respect of prior years	-	(9)
Current tax charge/(credit) for the year	12	(3)

Notes to the financial statements

7. Property, plant and equipment

Group	Land £'000	Buildings £'000	Leasehold property £'000	IT equipment £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost or valuation								
As at 1 April 2012	140	510	311	1,763	1,071	757	132	4,684
Additions	-	-	-	2	12	30	4	48
Disposals	-	-	-	-	-	-	-	-
As at 31 March 2013	140	510	311	1,765	1,083	787	136	4,732
As at 1 April 2013	140	510	311	1,765	1,083	787	136	4,732
Additions	-	-	242	44	33	-	-	319
Disposals	-	-	(311)	(985)	(45)	(483)	(132)	(1,956)
Revaluation	-	-	-	-	-	-	-	-
As at 31 March 2014	140	510	242	824	1,071	304	4	3,095
Depreciation								
As at 1 April 2012	-	(20)	(301)	(1,646)	(1,034)	(537)	(132)	(3,670)
Charge for year	-	(21)	(10)	(83)	(15)	(40)	(1)	(170)
Relating to disposals	-	-	-	-	-	-	-	-
As at 31 March 2013	-	(41)	(311)	(1,729)	(1,049)	(577)	(133)	(3,840)
As at 1 April 2013	-	(41)	(311)	(1,729)	(1,049)	(577)	(133)	(3,840)
Charge for year	-	(20)	-	(33)	(14)	(30)	(1)	(98)
Relating to disposals	-	-	311	985	45	478	132	1,951
Revaluation	-	61	-	-	-	-	-	61
As at 31 March 2014	-	-	-	(777)	(1,018)	(129)	(2)	(1,926)
Net book value as at 31 March 2014	140	510	242	47	53	175	2	1,169
Net book value as at 31 March 2013	140	469	-	36	34	210	3	892

Freehold property at Sutton Bridge was valued at 31 March 2014 at open market valuation for existing use, in accordance with the Appraisal and Valuation Manual of the Royal Institution of Chartered Surveyors in the United Kingdom by Bidwells, Chartered Surveyors. The valuation was £650k which has been depreciated to allow for wear and tear since the valuation date.

The £242k of Leasehold property additions in 2013/14 are costs associated with the new AHDB headquarters being built at Stoneleigh Park by AHDB's landlord, LaSalle Investment Management. The premises will be leased by AHDB and will mean that all its Stoneleigh-based staff will be based in a single building for the first time since AHDB was formed in 2008. The capital expenditure relates to the fitting out of the premises which is AHDB's responsibility (see Note 16).

Notes to the financial statements

8. Property, plant and equipment

AHDB	Land £'000	Buildings £'000	Leasehold property £'000	IT equipment £'000	Plant and machinery £'000	Fixtures and fittings £'000	Motor vehicles £'000	Total £'000
Cost or valuation								
As at 1 April 2012	-	-	311	1,749	221	757	152	3,190
Additions	-	-	-	2	12	30	4	48
Disposals	-	-	-	-	-	-	-	-
As at 31 March 2013	-	-	311	1,751	233	787	156	3,238
As at 1 April 2013	-	-	311	1,751	233	787	156	3,238
Additions	-	-	241	44	33	-	-	318
Disposals	-	-	(311)	(971)	(46)	(486)	(152)	(1,966)
As at 31 March 2014	-	-	241	824	220	301	4	1,590
Depreciation								
As at 1 April 2012	-	-	(301)	(1,642)	(183)	(536)	(151)	(2,813)
Charge for year	-	-	(10)	(75)	(16)	(41)	(2)	(144)
Relating to disposals	-	-	-	-	-	-	-	-
As at 31 March 2013	-	-	(311)	(1,717)	(199)	(577)	(153)	(2,957)
As at 1 April 2013	-	-	(311)	(1,717)	(199)	(577)	(153)	(2,957)
Charge for year	-	-	-	(31)	(14)	(30)	(1)	(76)
Relating to disposals	-	-	311	971	46	481	152	1,961
As at 31 March 2014	-	-	-	(777)	(167)	(126)	(2)	(1,072)
Net book value as at 31 March 2014	-	-	241	47	53	175	2	518
Net book value as at 31 March 2013	-	-	-	34	34	210	3	281

Notes to the financial statements

9. Intangible Assets

Group and AHDB	Software licences £'000
Cost or valuation	
As at 1 April 2012	287
Additions	-
Disposals	-
As at 31 March 2013	287
As at 1 April 2013	287
Additions	-
Disposals	(287)
As at 31 March 2014	-
Amortisation	
As at 1 April 2012	(285)
Charge for year	(2)
Relating to disposals	-
As at 31 March 2013	(287)
As at 1 April 2013	(287)
Charge for year	-
Relating to disposals	287
As at 31 March 2014	-
Net book value as at 31 March 2014	-
Net book value as at 31 March 2013	-

Notes to the financial statements

10. Investments

Sutton Bridge Experimental Unit Limited

Sutton Bridge Experimental Unit Limited (SBEU) is a company limited by shares, with AHDB holding 808,000 £1 nominal value ordinary shares representing 100% of the issued share capital of the company. SBEU owns the freehold land and buildings interest in the potato industry's research and development facility, Sutton Bridge Experimental Unit, which is based at Spalding. SBEU's financial results for the years have been consolidated as part of the financial results for the Potato Council division in the analysis of income and expenditure by segment in Note 2. Its balance sheet forms a part of the AHDB Group consolidated statement of financial position. SBEU had a surplus of £41k for the year ended 31 March 2014 (2013: deficit £20k). This related to the revaluation of buildings. Its net assets were £650k as at 31 March 2014 (31 March 2013: £609k). The property was last professionally revalued at £650k, as at 31 March 2014, based on its existing use.

	Group For the year ended 31-Mar-14 £'000	AHDB For the year ended 31-Mar-14 £'000	Group For the year ended 31-Mar-13 £'000	AHDB For the year ended 31-Mar-13 £'000
AHDB investment in SBEU	-	650	-	609

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 at Stoneleigh. MLCSL's financial results for the years have been consolidated as part of the financial results for the EBLEX and BPEX divisions, respectively, in the analysis of income and expenditure by segment in Note 2 and its assets and liabilities form a part of the statement of financial position. MLCSL had a retained deficit of £75k for the year ended 31 March 2014 (2013: deficit £121k) and its net assets were £1.02 million as at 31 March 2014 (31 March 2013: £1.09 million).

This subsidiary undertaking is registered in England and Wales.

Notes to the financial statements

11. Assets classified as held for resale

	Group As at 31-Mar-14 £'000	AHDB As at 31-Mar-14 £'000	Group As at 31-Mar-13 £'000	AHDB As at 31-Mar-13 £'000
Assets classified as held for resale	-	-	1,150	1,150

This represents Freehold Property held for resale, 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.

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.

These premises were sold during 2013 for £1.47 million, net of selling costs.

All roles previously carried out at this location have been transferred to AHDB in Stoneleigh.

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

Notes to the financial statements

12. Trade and other receivables

	Group As at 31-Mar-14 £'000	AHDB As at 31-Mar-14 £'000	Group As at 31-Mar-13 £'000	AHDB As at 31-Mar-13 £'000
Amounts falling due within one year				
Levy income receivable	2,942	2,942	2,974	2,974
Receivables for fee and other income	1,027	454	1,794	1,091
Provision for bad and doubtful debts	(184)	(183)	(402)	(402)
Prepayments and accrued income	5,706	5,687	5,893	5,847
Department for Environment, Food and Rural Affairs	375	369	117	117
Other Defra bodies	142	142	113	113
Other central government bodies	96	96	-	-
Total amounts falling due within one year	10,104	9,507	10,489	9,740
Intra-government balances				
Balances with central government bodies	613	607	230	230
Balances with public corporations and trading funds	-	-	-	-
Subtotal: Intra-government balances	613	607	230	230
Balances with bodies external to government	9,491	8,900	10,259	9,510
Total amounts falling due within one year	10,104	9,507	10,489	9,740

	Group As at 31-Mar-14 £'000	AHDB As at 31-Mar-14 £'000	Group As at 31-Mar-13 £'000	AHDB As at 31-Mar-13 £'000
Receivables past due				
Up to 3 months past due	1,180	1,004	1,024	857
3 to 6 months past due	15	7	29	32
Over 6 months past due	237	230	735	625
	1,432	1,241	1,788	1,514

13. Cash and cash equivalents

	Group As at 31-Mar-14 £'000	AHDB As at 31-Mar-14 £'000	Group As at 31-Mar-13 £'000	AHDB As at 31-Mar-13 £'000
Balance at 1 April	20,745	19,322	13,976	13,344
Net change in cash and cash equivalents	(1,563)	(1,083)	6,769	5,978
Balance at 31 March 2013	19,182	18,239	20,745	19,322
Balances at 31 March were:				
Short-term investment	-	-	8,000	8,000
Commercial banks and cash in hand	19,182	18,239	12,745	11,322
Balance at 31 March 2013	19,182	18,239	20,745	19,322

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

Notes to the financial statements

14. Trade and other payables

	Group As at 31-Mar-14 £'000	AHDB As at 31-Mar-14 £'000	Group As at 31-Mar-13 £'000	AHDB As at 31-Mar-13 £'000
Amounts falling due within one year				
Trade payables	2,295	2,283	2,707	2,671
Accruals and deferred income	6,039	5,940	6,725	6,595
Other payables	333	295	444	410
Corporation tax	-	-	-	-
VAT	867	688	719	521
Other taxation and social security	503	430	505	427
Amounts owed to subsidiary undertakings	-	64	-	(414)
Defra underwrite for redundancy*	200	-	2,042	1,842
Pig industry development fund scheme	75	75	75	75
Other Defra Bodies	81	81	227	227
Total amounts falling due within one year	10,393	9,856	13,444	12,354
Intra-government balances				
Balances with central government bodies	1,651	1,199	3,493	3,017
Balances with bodies external to government	8,742	8,657	9,951	9,337
Total amounts falling due within one year	10,393	9,856	13,444	12,354

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

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

Notes to the financial statements

15. Provisions for liabilities and charges

Group	Dilapidations provision £'000	Onerous lease provision £'000	Redundancy and exit provision £'000	Total provisions £'000
As at 1 April 2012	200	184	30	414
New provision	-	-	-	-
Utilisation of provision	-	(150)	(30)	(180)
As at 31 March 2013	200	34	-	234
As at 1 April 2013	200	34	-	234
New provisions	-	-	352	352
Utilisation of provision	(200)	(34)	-	(234)
As at 31 March 2014	-	-	352	352

AHDB	Dilapidations provision £'000	Onerous lease provision £'000	Redundancy and exit provision £'000	Total provisions £'000
As at 1 April 2012	200	184	-	384
New provision	-	-	-	-
Utilisation of provision	-	(150)	-	(150)
As at 31 March 2013	200	34	-	234
As at 1 April 2013	200	34	-	234
New provisions	-	-	352	352
Utilisation of provision	(200)	(34)	-	(234)
As at 31 March 2014	-	-	352	352

Analysis of expected timing of cash flows

Cash flows relating to the above provisions are all expected to be incurred not later than one year from 31 March 2014.

Explanation of provisions as at 31 March 2014

Dilapidations

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

Onerous lease

Relates to the costs of the ex-British Potato Council leased property in Oxford. Provision was 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 arising from restructuring exercises in progress at year end, within AHDB, (the provision at March 2013 related to cost of exit payments in MLC SL).

Notes to the financial statements

16. Financial commitments

	Group As at 31-Mar-14 £'000	AHDB As at 31-Mar-14 £'000	Group As at 31-Mar-13 £'000	AHDB As at 31-Mar-13 £'000
Capital expenditure commitments				
Contracted for	133	133	50	50
Approved research projects				
Within one year	10,247	10,247	9,850	9,850
Thereafter	10,717	10,717	13,100	13,100
	20,964	20,964	22,950	22,950
Operating leases				
As at 31 March AHDB was committed to future minimum lease payments under non-cancellable operating leases for each of the following periods:				
Property				
Within one year	131	131	130	130
Between two and five years	72	72	75	75
Over five years	-	-	1	1
	203	203	206	206
Vehicles				
Within one year	560	507	519	467
Between two and five years	650	620	845	787
	1,210	1,127	1,364	1,254
Equipment				
Within one year	25	25	40	40
Between two and five years	3	3	13	13
	28	28	53	53

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

On 24 April 2014, AHDB signed a lease on new leasehold premises to be occupied from Autumn 2014 onwards. The lease is for a 15-year period, with break clauses every 5 years, on a rent for the initial 5-year period of £360k pa, less one year rent free.

As at 31 March 2014, the AHDB Board had approved capital expenditure of £1.78 million for leasehold improvements on those premises, which was not committed at that date.

The decision for AHDB to be responsible for the fitting out of the premises (rather than a third party and the costs being added back into the annual rental) was in order to optimise the use of levy payer funds by ensuring best value for money was obtained for the project as a whole.

Notes to the financial statements

17. Financial instruments

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

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

	Group As at 31-Mar-14 £'000	Group As at 31-Mar-14 £'000	Group As at 31-Mar-13 £'000	Group As at 31-Mar-13 £'000
	Loans and receivables	Other financial liabilities	Loans and receivables	Other financial liabilities
Trade receivables				
Levy receivable	2,761		2,572	
Receivables for fees	1,024		1,794	
Accrued income (less prepayments)	4,362		5,139	
Intra-government balances	613		230	
Cash and equivalents	19,182		20,745	
Trade and other payables				
Trade payables		2,295		2,707
Accruals		6,039		6,725
Pig Industry Development Scheme Fund		75		75
Intra-government balances		281		2,269
Other		333		444
Total	27,942	9,023	30,480	12,220

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 it is not subject to price risk or liquidity risk.

Interest rate risk

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

Foreign currency risk

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

Market and price risk

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

Notes to the financial statements

18. Related party transactions

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

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

One of the members of the Board, John Cross, was a director of Assured Foods Standards (AFS) until 30 November 2012, when he was replaced on that Board by John Godfrey. AHDB had transactions with AFS of £291k excluding VAT (2012/13: £244k). At 31 March 2014, AHDB owed AFS £62k (31 March 2013: £30k). Another Board member, Tim Bennett, was a director of the Food Standards Agency (FSA), with whom AHDB had transactions during the year of £4k excluding VAT. Stewart Houston is a director of Scotland's Rural College (SRUC) with whom AHDB had transactions during the year of £84k excluding VAT. At March 2014, AHDB owed SRUC £5k. All the above transactions were on an Arm's Length basis. No other AHDB Board members, sector board members, senior executive staff or other related parties have undertaken any material transactions with AHDB. Statutory levies were paid by a number of AHDB Board members on an Arm's Length basis and are outside the scope of IFRS 8.

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

Transactions with senior members of staff can be found in the Remuneration Report on [page 24](#).

19. Contingent liabilities

There were no contingent liabilities at 31 March 2014.

Notes to the financial statements

20. Pensions

20a. Information about the Schemes

Introduction

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

The schemes expose the organisation to the usual risks involved in ensuring the schemes are adequately funded to meet their future obligations. These risks are mitigated as far as possible by ensuring employees make contributions at a reasonable rate, and by adopting asset-liability matching strategies where possible. AHDB does not consider there to be any significant entity or plan-specific risks, or any significant concentrations of risk.

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 2014/15 are estimated to be £0.4 million.

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

A substantial part of the scheme's assets are represented by a buy-in policy with an insurance provider (Aviva) to cover the future liabilities of the scheme in relation to the in-payment pension obligations at that time. This was achieved in order to reduce the scheme's, and the employer's, risk exposure to future downturns in asset performance and improvements in longevity. Under the terms of the buy-in, the annuity policy is in the name of the Trustee and, as such, is considered a qualifying investment of the scheme. Due to market conditions, the policy attracts an income related to RPI, while the pension payments from the scheme have guaranteed increases at CPI. While CPI remains lower than RPI, a small surplus will be generated and added to the total scheme assets for the benefit of the scheme as a whole. As shown in note 20c below, at 31 March 2014, 65.8% of the scheme's total assets were represented by the Aviva policy. The assets of the policy have been valued for AHDB's accounting purposes using an IAS 19 discount rate which ensures the asset is valued on a basis consistent with that used to value the future liabilities it is in place to settle.

The policy was first acquired in June 2011 to guarantee the obligations of pensions in payment at that date, and of those pensioners' dependants in future. A further tranche of liabilities was similarly added to the policy in July 2013, to cover pensions that have come into payment since June 2011, again including pensions falling due in future to those pensioners' dependants. The valuation method used to value the asset placed on the buy-in policy with Aviva is consistent with that used last year. It has been calculated as the present value of the future expected policy income stream using the same assumptions as used to calculate the Defined Benefit Obligation, except that the policy income in excess of Guaranteed Minimum Pensions is assumed to increase in line with RPI up to 5% pa rather than CPI up to 5% pa. These assumptions have been selected because the income from the policy matches the corresponding pension payments from the scheme in all other aspects. By using these assumptions, in future years the asset value on the buy-in policy will move in line with the corresponding liabilities while still allowing for the expected higher future income stream if RPI is assumed to be higher than CPI. It is recognised that an alternative, risk-related discount rate could have been used to value the assets in the Aviva insurance policy which, at 31 March, would have shown a higher asset value and thus a higher scheme surplus. The amount recognised in the statement of financial position would remain unchanged due to the restrictions under IAS 19 regarding the amount of surplus disclosed by the employer. This valuation method was not selected as it would lead to more volatile asset valuations in future years and is not consistent with the valuation of the corresponding obligations.

HGCA Pension Scheme

The scheme provides benefits to legacy HGCA members based on final salary. Actuarial valuations are usually prepared on a triennial basis. The latest valuation was completed at 31 March 2013 and indicated a funding deficit of £0.6 million. Agreement on the recovery plan from the previous triennial review to 31 March 2010, reached between the HGCA Pension Plan Trustees and AHDB, concerning the funding of the deficit, specified contributions of £75k pa, payable monthly, from April 2011 to March 2014. The Trustees and AHDB have agreed to continue the same level of funding for the period up to the next triennial actuarial review of the scheme. The employer's normal contributions to the scheme in 2014/15 are estimated at £41k.

Notes to the financial statements

20. Pensions (continued)

20b. Principal assumptions

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

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

	MLC Pension Scheme		HGCA Pension Scheme	
	31-Mar-14 % pa	31-Mar-13 % pa	31-Mar-14 % pa	31-Mar-13 % pa
Price inflation	2.5	2.5	2.5	2.5
Rate of increase in pay	3.5	3.5	3.5	3.5
Rate of increase of pensions in payment*	2.5	2.5	2.5	2.5
Rate of increase for deferred pensioners*	2.5	2.5	2.5	2.5
Discount rate	4.3	4.2	4.3	4.2

* 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-14 years	31-Mar-13 years	31-Mar-14 years	31-Mar-13 years
Male currently aged 65	23.0	22.9	22.8	22.7
Female currently aged 65	25.4	25.3	25.3	25.2
Male currently aged 50	24.6	24.5	24.4	24.3
Female currently aged 50	27.2	27.1	27.1	27.0

The sensitivity of the value placed on the schemes' liabilities is reviewed as part of the process in setting the assumptions. To determine the sensitivity of the defined benefit obligation to changes in the key assumptions, an approximate basis change based on the split of obligations between activities, deferrals, pensioners and dependents, and the estimated duration of each set of liabilities, was carried out. There have been no changes in the approach used to determine the sensitivity of the defined benefit obligation to changes in the key assumptions since the previous year. Examples of changes in the value of scheme liabilities, in the event of any given assumption changing in isolation, are noted below.

The effect of a decrease in the assumed Discount Rate of 0.5% would increase liabilities by 7.6% in the MLC scheme, and by 9.6% in the HGCA scheme.

The mortality rate, which determines the above future life expectancies, is based on a long-term trend increase in mortality of 1.5% pa. If the rate of increase were assumed at 1.75% pa, liabilities would increase by 1.4%.

If the RPI price inflation measure applied of 3.5% were to be increased by 0.25%, liabilities would increase by 2.8%.

If the assumption of growth in salaries, currently assumed to be 3.5%, were to be increased to 4%, liabilities would increase by 0.4%.

Notes to the financial statements

20. Pensions (continued)

20c. Assets

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

	MLC Pension Scheme		HGCA Pension Scheme	
	31-Mar-14 % pa	31-Mar-13 % pa	31-Mar-14 % pa	31-Mar-13 % pa
Equities	34.1	35.3	38.5	38.1
Gilts	-	-	60.0	60.2
Annuities	-	-	0.9	1.3
Cash	0.1	0.1	0.6	0.4
Other - Insurance policy	65.8	64.6	0.0	-

20d. Components of defined benefit cost for the 12 months ended 31 March 2014

Analysis of amounts charged to statement of comprehensive income:

	MLC Pension Scheme		HGCA Pension Scheme		Total Pension Schemes	
	For the year ended 31-Mar-14 £'000	Restated For the year ended 31-Mar-13 £'000	For the year ended 31-Mar-14 £'000	Restated For the year ended 31-Mar-13 £'000	For the year ended 31-Mar-14 £'000	Restated For the year ended 31-Mar-13 £'000
Current service cost	(600)	(700)	(57)	(54)	(657)	(754)
Past service cost	-	-	-	(19)	-	(19)
Administration costs	(600)	(600)	(29)	(21)	(629)	(621)
Net interest on net defined benefit liability/(asset)	300	500	45	90	345	590
Total income/(expense) recognised in profit and loss	(900)	(800)	(41)	(4)	(941)	(804)

Notes to the financial statements

20. Pensions (continued)

20d. Total amount recognised in other comprehensive income

Analysis of the amounts charged to other comprehensive income:

	MLC Pension Scheme		HGCA Pension Scheme		Total Pension Schemes	
	For the year ended 31-Mar-14 £'000	Restated For the year ended 31-Mar-13 £'000	For the year ended 31-Mar-14 £'000	Restated For the year ended 31-Mar-13 £'000	For the year ended 31-Mar-14 £'000	Restated For the year ended 31-Mar-13 £'000
Actuarial gains and (losses) on assets	1,500	8,500	(756)	725	744	9,225
Experience gains and (losses) on liabilities	1,700	(2,000)	561	(121)	2,261	(2,121)
Losses (gains) from changes to assumptions	2,200	(11,400)	322	(1,636)	2,522	(13,036)
Change in irrecoverable surplus	(2,300)	2,200	(139)	1,048	(2,439)	3,248
Total amount (charged)/credited in other comprehensive income	3,100	(2,700)	(12)	16	3,088	(2,684)

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

	MLC Pension Scheme		HGCA Pension Scheme		Total Pension Schemes	
	As at 31-Mar-14 £'000	Restated As at 31-Mar-13 £'000	As at 31-Mar-14 £'000	Restated As at 31-Mar-13 £'000	As at 31-Mar-14 £'000	Restated As at 31-Mar-13 £'000
Present value of defined benefit obligation	(192,500)	(198,000)	(17,708)	(18,286)	(210,208)	(216,286)
Fair value of plan assets	204,500	205,100	18,913	19,288	223,413	224,388
Surplus/(deficit) on scheme	12,000	7,100	1,205	1,002	13,205	8,102
Irrecoverable surplus (effect of asset ceiling)	(2,300)	-	(1,357)	(1,218)	(3,657)	(1,218)
Net asset/(liability) recognised in Statement of Financial Position	9,700	7,100	(152)	(216)	9,548	6,884

Notes to the financial statements

20. Pensions (continued)

20e. Reconciliation to the statement of financial position

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

	MLC Pension Scheme		HGCA Pension Scheme		Total Pension Schemes	
	For the year ended 31-Mar-14 £'000	Restated For the year ended 31-Mar-13 £'000	For the year ended 31-Mar-14 £'000	Restated For the year ended 31-Mar-13 £'000	For the year ended 31-Mar-14 £'000	Restated For the year ended 31-Mar-13 £'000
Surplus/(deficit) in the Scheme at start of year	7,100	10,300	(216)	(369)	6,884	9,931
Contributions paid	400	300	117	141	517	441
Current service cost	(600)	(700)	(57)	(54)	(657)	(754)
Past service cost	-	-	-	(19)	-	(19)
Net interest on net defined benefit (asset)/liability	300	500	45	90	345	590
Administration costs	(600)	(600)	(29)	(21)	(629)	(621)
Actuarial (loss)/gain	3,100	(2,700)	(12)	16	3,088	(2,684)
Surplus/(deficit) in the Scheme at end of year	9,700	7,100	(152)	(216)	9,548	6,884

For the HGCA Pension Scheme, the contributions paid for the year ended 31 March 2014 of £117k (2013: £141k) include the additional Scheme augmentation component of £75k (2013: £75k) referred to in 20a.

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

Change in scheme liabilities:

	MLC Pension Scheme		HGCA Pension Scheme		Total Pension Schemes	
	For the year ended 31-Mar-14 £'000	Restated For the year ended 31-Mar-13 £'000	For the year ended 31-Mar-14 £'000	Restated For the year ended 31-Mar-13 £'000	For the year ended 31-Mar-14 £'000	Restated For the year ended 31-Mar-13 £'000
Balance at 1 April	(198,000)	(185,500)	(18,286)	(16,268)	(216,286)	(201,768)
Current service cost	(600)	(700)	(57)	(54)	(657)	(754)
Interest cost	(8,100)	(8,300)	(757)	(736)	(8,857)	(9,036)
Contributions by plan participants	(200)	(200)	(16)	(17)	(216)	(217)
Actuarial gains/(losses) on experience	1,700	(2,000)	561	(121)	2,261	(2,121)
Actuarial gains/(losses) on demographic assumptions	-	800	-	177	-	977
Actuarial gains/(losses) on financial assumptions	2,200	(12,200)	322	(1,813)	2,522	(14,013)
Benefits paid	10,500	10,100	525	565	11,025	10,665
Past service cost	-	-	-	(19)	-	(19)
Scheme liabilities at end of year	(192,500)	(198,000)	(17,708)	(18,286)	(210,208)	(216,286)

Notes to the financial statements

20. Pensions (continued)

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

Change in scheme assets:

	MLC Pension Scheme		HGCA Pension Scheme		Total Pension Schemes	
	For the year ended 31-Mar-14 £'000	Restated For the year ended 31-Mar-13 £'000	For the year ended 31-Mar-14 £'000	Restated For the year ended 31-Mar-13 £'000	For the year ended 31-Mar-14 £'000	Restated For the year ended 31-Mar-13 £'000
Balance at 1 April	205,100	197,900	19,288	18,165	224,388	216,065
Expected return on plan assets	8,400	8,900	802	826	9,202	9,726
Return on scheme assets greater/(less) than discount rate	1,500	8,500	(756)	725	744	9,225
Contributions by the employer	400	300	117	141	517	441
Contributions by the plan participants	200	200	16	17	216	217
Administration costs	(600)	(600)	(29)	(21)	(629)	(621)
Benefits paid	(10,500)	(10,100)	(525)	(565)	(11,025)	(10,665)
Fair value of assets at end of year	204,500	205,100	18,913	19,288	223,413	224,388

The actual return of plan assets in the MLC Pension Scheme was a gain of £9.9 million (2012/13: £17.4 million). The actual return of plan assets in the HGCA Pension Scheme was a £46k gain (2012/13: £1.55 million).

20g. Maturity profile of Defined Benefit Obligation

The expected cash outlay required to meet defined benefit obligations as they arise over the next 10 years, are:

	MLC	HGCA
	<u>£000</u>	<u>£000</u>
Expected benefit payments made during 2014/15	9,300	561
Expected benefit payments made during 2015/16	9,500	600
Expected benefit payments made during 2016/17	9,700	600
Expected benefit payments made during 2017/18	10,000	696
Expected benefit payments made during 2018/19	10,200	645
Expected benefit payments 2019/20 to 2023/24	54,800	3,822

Notes to the financial statements

20. Pensions (continued)

20h. Defined Contribution Schemes

MLC Pension Scheme

The Defined Contribution section of the MLC Pension Scheme had a total of 36 members as at 31 March 2014 (31 March 2013: 38 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 2014 was £92k (2012-13: £97k) and the value of outstanding contributions as at 31 March 2014 was £7k (31 March 2013: £8k). This Scheme was closed to new members in 2008, when AHDB set up the AHDB Pension Scheme for newly appointed employees.

20i. Group Personal Pension Plans

AHDB Pension Scheme

The AHDB Pension Scheme is a Group Personal Pension Plan, whereby AHDB has selected a pension scheme and provider that it believes to be suitable for its employees and had a total of 365 members as at 31 March 2014 (31 March 2013: 224 members). The number of members of this scheme increased significantly during the year due to the introduction of the "auto enrolment" legislation, whereby employers have to enrol all employees into a pension scheme unless they actively opt out. The minimum contribution rate is 1%. The normal current employee and employer contribution rates are 3%/6%, 4%/8% and 5%/10%, respectively. The Scheme is provided by Legal and General. The cost to AHDB of operating the Scheme during the year ended 31 March 2014 was £800k (2013: £671k) and the value of outstanding contributions as at 31 March 2014 was £79k (31 March 2013: £59k).

21. Events after the reporting date

On 24 April 2014, the organisation signed a lease for new premises to be occupied from Autumn 2014, details of which are included in Note 16.

AHDB sector boards at 31 March 2014

BPEX – English pig sector

Stewart Houston CBE, (Chair)
Alastair Butler, pig producer, Suffolk
Marcus Cheale, processor
Jon Easey, pig producer, East Anglia
Richard Hooper, pig producer, Shropshire
William de Klein, processor
Barry Lock, processor
Richard Longthorp, pig producer, East Yorkshire
Rob Mercer, pig producer, Staffordshire
Andrew Saunders, processor
Ian Smith, pig producer, Bedfordshire
Iain Wylie, independent

Robert Shepherd was appointed to the BPEX Sector Board by the AHDB Board from 1 April 2014

DairyCo – GB milk sector

Tim Bennett, (Chair) (end of term in office 31 March 2014)
Jim Baird, dairy farmer, Lanark
Kevin Beaty, dairy farmer, Cumbria (end of term in office 31 March 2014)
David Cotton, dairy farmer, Somerset
Keith Davis, dairy farmer, Gloucestershire
Timothy Gue, dairy farmer, West Sussex
Julia Hawley, dairy farmer, Leicestershire (end of term in office 31 March 2014)
Chris James, dairy farmer, Pembrokeshire
Ian Martin, independent member
Peter Nicholson, processor
Janette Prince, dairy farmer, Staffordshire
Thomas Rawson, dairy farmer, Lincolnshire

Ian Martin was appointed interim chair of DairyCo by the AHDB Board from 1 April 2014 until a chair is appointed by UK Ministers. Peter Miller was appointed to the DairyCo Sector Board by the AHDB Board from 1 April 2014

EBLEX – English beef and lamb sector

John Cross, (Chair)
Mark Allan, processor
Dr Colette Backwell, independent member (resigned 19 September 2013)
Jonathan Barber, sheep breeder, Norfolk (end of term in office 31 March 2014)
Howard Bates, sheep farmer, Romney Marsh
James Fanshawe, beef farmer, Northamptonshire (end of term in office 31 March 2014)
Andy Foot, mixed arable and beef farmer, Dorset
Rizvan Khalid, processor
Alistair Mackintosh, mixed livestock and arable farmer, Cumbria (end of term in office 31 March 2014)
Richard Phelps, processor
Mike Powley, beef farmer, York (end of term in office 31 March 2014)
Rosalind Turner, sheep farmer, Leicestershire
Simon Warren, technical consultant to red meat supply chain (end of term in office 31 March 2014)
Paul Westaway, beef farmer, Gloucestershire
Gwyn Williams, livestock auctioneer, Cheshire

Gill Fine, Peter Baber, James Evans, Ed Green, Philip Abbott, Duncan Nelles and Stephen Conisbee were appointed to the EBLEX Sector Board by the AHDB Board from 1 April 2014

HDC – GB horticulture sector

Neil Bragg, (Chair)

Ian Ashton, hardy nursery stock grower, Southampton (end of term in office 31 March 2014)

Martin Emmett, bulbs and outdoor flowers consultant, West Sussex

Nigel Kitney, tree fruit grower, Herefordshire

Mike Mann, protected ornamentals grower, Cornwall

Carol Paris, independent member and retail expert, Somerset (end of term in office 31 March 2014)

Marion Regan, soft fruit grower, Kent

John Sedgwick, field vegetable grower, Cambridgeshire

Paul Singleton, independent member and vice chair

Gary Taylor, protected edibles grower, Essex

Alison Spaul, Lynden Stowe and Neville Stein were appointed to the HDC Sector Board by the AHDB Board from 1 April 2014

HGCA – UK cereals and oilseeds sector

Jonathan Tipples, (Chair)

Andrew Brown, mixed farmer, Rutland

Cath Clelland, independent member (end of term in office 31 March 2014)

John Cunningham, animal feed industry, N Ireland (end of term in office 31 March 2014)

Michael Hambly, combinable crops, beef farmer, co-operative member, Cornwall (end of term in office 31 March 2014)

David Houghton, specialist malting barley and wheat farmer, North Scotland (end of term in office 31 March 2014)

Robert Lasseter, cereals and pig farmer, Dorset

George Lawrie, cereals farmer, specialising in spring barley, Scotland

Charles Matts, arable and livestock farmer, Northampton

Guy Smith, combinable crops farmer, Essex (end of term in office 31 March 2014)

Paul Temple, arable and beef farmer, East Yorkshire

Alexander Waugh, flour milling industry, Surrey (end of term in office 31 March 2014)

Richard Whitlock, grain and biofuels consultant

David Neal-Smith, Robert King, Andrew Moir, Ian Backhouse and James Price were appointed to the HGCA Sector Board by the AHDB Board from 1 April 2014

Potato Council – GB potato sector

David Piccaver, (Chair) (resigned from office on 11 October 2013 due to health)

Tony Bambridge, grower, Norfolk (end of term in office 31 March 2014)

Anthony Carroll, grower, Northumberland

Dave Chelley, processor

Fiona Fell, independent member (interim Chair from 11 October 2013)

Zoe Henderson, independent member

Dan Hewitt, grower merchant, Norfolk

Bruce Kerr, grower, Suffolk

Edward Lindley, grower, Yorkshire

Alistair Melrose, seed grower, Angus

Tim Papworth, grower, Norfolk (end of term in office 31 March 2014)

Alistair Redpath, seed merchant, Perthshire

Nick Tapp, grower/packer (end of term in office 31 March 2014)

Fiona Fell was appointed as an AHDB Board Member and the new Potato Council Chair by UK Ministers, from 1 April 2014. Philip Huggon, James Daw, Mark Taylor and William Quan were appointed to the Potato Council Sector Board by the AHDB Board from 1 April 2014

Levy rates during 2013/14

SECTOR	Levy rate 2013/14	Higher rate for late payment
Pigs (England)	£ per head	£ per head
Producer	0.85	0.935
Slaughterer/exporter of live pigs	0.20	0.22
Beef and Lamb (England)	£ per head	£ per head
Cattle (excluding calves)		
Producer	4.05	4.05
Slaughterer/exporter of live cattle	1.35	1.35
Calves		
Producer	0.08	0.08
Slaughterer/exporter of live calves	0.08	0.08
Sheep		
Producer	0.60	0.60
Slaughterer/exporter of live sheep	0.20	0.20
Milk (GB)	Pence per litre	Pence per litre
Buyers and direct sellers of milk	0.060	0.066
Cereals and oilseeds (UK)	Pence per tonne	Pence per tonne
Cereal grower	46.00	50.60
Cereal buyer	3.80	4.18
Cereal processor (human and industrial)	9.50	10.45
Cereal processor (feed)	4.60	5.06
Oilseeds	75.00	82.50
Horticulture (GB)	% sales turnover	% sales turnover
Horticulture products	0.50	0.55
Mushroom spawn	Pence per litre	Pence per litre
- Agaricus	8.0	8.8
- Non-agaricus	2.0	2.2
Potatoes (GB)		
Potato growers	£42.62 per hectare	£48.08 per hectare
Purchasers of potatoes	£0.1858 per tonne	£0.2076 per tonne

Glossary of terms

ACP	Advisory Committee on Pesticides	HRCS	Human Resources and Corporate Services
ADAS	Agricultural and Environmental Consultancy	IAO	Information Asset Owner
AFS	Assured Food Standards	IAS	International Accounting Standards
AHDB	Agriculture and Horticulture Development Board	IFRS	International Financial Reporting Standards
AIC	Agricultural Industries Confederation	IOSH	Institution of Occupational Safety and Health
ALB	Arm's Length Body	IPM	Integrated Pest Management
AMPE	Actual Milk Price Equivalent	IPPS	International Plant Propagators Society
ARAC	Audit and Risk Assurance Committee	ISBN	International Standard Book Number
BBSRC	Biotechnology and Biological Sciences Research Council	KPI	Key Performance Indicator
BCE	British Cereal Exports	KT	Knowledge Transfer
BCVS	British Cattle Veterinary Society	LCA	Life-Cycle Analysis
BMPA	British Meat Processors Association	MCVE	Milk for Cheese Value Equivalent
BPTA	British Potato Trade Association	MI	Market Intelligence
BRP	Better Returns Programme	MLC	Meat and Livestock Commission
BVD	Bovine Viral Diarrhoea	MLCSL	Meat & Livestock Commercial Services Limited
CAP	Common Agricultural Policy	MOPS	Managing Ornamental Plants Sustainably
CBE	Commander of the Order of the British Empire	NAO	National Audit Office
CETV	Cash Equivalent Transfer Value	NDPB	Non-Departmental Public Body
CIPC	Chlorpropham	NFU	National Farmers Union
CLA	Country Land and Business Association	NFUS	National Farmers Union Scotland
CPD	Continuous Professional Development	PESTLE	Political, Economic, Social, Technological, Legal and Environmental
CPI	Consumer Price Index	PLI	Profitable Lifetime Index
CRD	Chemicals Regulation Directorate	PPA	Potato Processors' Association
CSF	Catchment Sensitive farming	R&D	Research and Development
DB	Defined Benefit	RDPE	Royal Development Programme for England
DC	Defined Contribution	RESAS	Rural and Environment Science and Analytical Services
Defra	Department for Environment, Food and Rural Affairs	RPI	Retail Price Index
DVD	Digital Video Disc	SAM	Stun Assurance Monitor
EAMU	Extension of Authorisation for Minor Use	SBEU	Sutton Bridge Experimental Unit Limited
EU	European Union	SBCSR	Sutton Bridge Crop Storage Research
FABS	Finance and Business Services	SCEPTRE	Sustainable Crop Protection Targeted Research for Edibles
FPSA	Fresh Potato Suppliers Association	SCI	Spring Calving Index
FReM	Financial Reporting Manual	SET	Senior Executive Team
FSA	Food Standards Agency	SHAWG	Sheep Health and Welfare Group
GB	Great Britain	SI	Standing Instructions
GHG	Green House Gas	SIRA	Stable Isotope Reference Analysis
GHGAP	Green House Gas Action Plan	SRUC	Scotland's Rural College
GMP	Guaranteed Minimum Pension	SVS	Sheep Veterinary Society
HAPI	Horticulture and Potatoes Initiative	SWD	Spotted Wing Drosophila
HCC	Hybu Cig Cymru	UK	United Kingdom
HMRC	Her Majesty's Revenue and Customs	UKGAAP	UK Generally Accepted Accounting Principles
HR	Human Resources		



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