



AGRICULTURE & HORTICULTURE  
DEVELOPMENT BOARD

# Annual Report and Accounts 2014/15





# **Agriculture and Horticulture Development Board Annual Report and Accounts 2014/15**

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 (S.I. 2008, No. 576)

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**Seventh 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 2015**

**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, funded by farmers, growers and others in the supply chain. The funds raised from each commodity sector are used only to the benefit of the sector from which they were raised. Because the levy is statutory, AHDB is classified as a Non-Departmental Public Body and comes under the sponsorship of the Department for Environment, Food and Rural Affairs.

## Our purpose

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

## The industry sectors we support

Levy payers are at the heart of what we do. During the reporting period, the delivery of business support services to levy payers was focused through six AHDB branded divisions – BPEX, DairyCo, EBLEX, HDC, HGCA and Potato Council.


 covering pig meat in England, to be rebranded AHDB Pork

 covering milk in Great Britain (GB), to be rebranded AHDB Dairy

 covering beef and lamb in England, to be rebranded AHDB Beef & Lamb

 covering commercial horticulture in GB, to be rebranded AHDB Horticulture

 covering cereals and oilseeds in the UK, to be rebranded AHDB Cereals & Oilseeds

 covering potatoes in GB, to be rebranded AHDB Potatoes

The rebranding referred to above will take place on 10 June 2015.

## Registered office

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



# AHDB Board and statutory committees at 31 March 2015

## AHDB Board

### Chair:

Sir Peter Kendall

### Independent members:

Professor Ian Crute CBE

Tim Kelly (end of term in office 31 March 2015)

Will Lifford

*Lorraine Clinton, independent AHDB Board member finished her term in office on 30 September 2014.*

*UK Ministers appointed George Lyon as an independent member of the AHDB Board from 1 April 2015.*

### Specialist members and Sector board chairs:

John Cross, beef and lamb specialist, Chair of EBLEX Sector board (end of term in office 31 March 2015)

Fiona Fell, agriculture specialist, Chair of Potato Council Sector board

Stewart Houston CBE, pig specialist, Chair of BPEX Sector board (end of term in office 31 March 2015)

Gwyn Jones, dairy specialist, Chair of DairyCo Sector board

Gary Taylor MBE, horticulture specialist, Chair of HDC Sector board

Jonathan Tipples, cereals and oilseeds specialist, Chair of HGCA Sector board (end of term in office 31 March 2015)

*Neil Bragg, specialist Board member for horticulture finished his term in office on 30 September 2014.*

*UK Ministers appointed Stuart Roberts (beef and lamb specialist), Paul Temple (cereals and oilseeds specialist) and Meryl Ward MBE (pig specialist) to the AHDB Board, and as Chairs of the respective Sector boards from 1 April 2015.*

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

A register of AHDB Board member interests is maintained and can be obtained by writing to: Corporate 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

John Cross – AHDB Board member (end of term in office 31 March 2015)

Professor Ian Crute CBE – AHDB independent Board member

Philip Huggon – independent member of AHDB's Potato Council Sector board

David Neal-Smith – independent member of AHDB's HGCA Sector board

Gary Taylor MBE – AHDB Board member

Jonathan Tipples – AHDB Board member (end of term in office 31 March 2015)

*Stuart Roberts and Meryl Ward MBE were appointed to the Audit & Risk Assurance Committee from 1 April 2015.*

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

### AHDB Remuneration and Nominations Committee

Tim Kelly (Chair) – AHDB independent Board member (end of term in office 31 March 2015)

Fiona Fell – AHDB Board member

Stewart Houston CBE – AHDB Board member (end of term in office 31 March 2015)

Gwyn Jones – AHDB Board member

*George Lyon was appointed as Chair and Peter Kendall and Paul Temple as members of the Remuneration and Nominations Committee from 1 April 2015.*

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



## Chair's foreword

### Ambitious for agriculture

I passionately believe that AHDB has a vital role to play in driving growth, improved competitiveness and sustainability in British agriculture.

There are real opportunities in domestic and global markets but to capitalise on them we need to be the most productive and efficient we can be. This means an evolution in the way we farm, grow and operate within the supply chain so that we compete with the very best in the world.

AHDB, working effectively with levy payers, is capable of lifting the industry's confidence with a step change in how we apply best practice, acquire new skills, adopt new technologies and innovate. Using our independent, evidence-based information and tools, we can equip levy payers in all six sectors with the insights to cope with market volatility, increase productivity and profitability, and significantly improve their businesses.

The UK population is growing faster than any other EU Member State, yet our self-sufficiency in domestic food has fallen to just 60 per cent. We should be reversing this trend, feeding more of the nation and grabbing more of our home market.

Equally, for a country rich in natural assets, with a record of high animal welfare, strong environmental standards and quality food, we should also be seizing export market growth too.

Over the past year as Chairman of AHDB, I have been able to see at first hand the excellent skills and knowledge of AHDB staff and the quality of the projects they deliver for our levy payers. However, the Board and I believe AHDB cannot afford to stand still. There are good opportunities and efficiencies to be gained from our looking, feeling and behaving more like one organisation instead of six separate ones.

We can work smarter, be more responsive and more effective for our levy payers through being more joined up, removing duplication and applying best practice across our own delivery to levy payers.

AHDB is rebranding its delivery teams this summer to move towards one organisation with a common identity. We are also exploring ways of organising ourselves better to work more efficiently, evaluate what we do regularly and demonstrate to levy payers that we can deliver measurable benefits on the ground.

This will mean some internal restructuring to drive quicker decision-making, stronger leadership and agility in how we work for levy payers. However, some key aspects of how we are organised will remain exactly the same. Our six sector boards, mainly comprising levy payers, work extremely well in providing oversight and strategic direction and they will be retained. Sector specialists with sector-focused delivery will also continue. Finally, the principle of levies raised in a sector being spent for the benefit of that sector is core to AHDB and this will be retained.

We enter the new financial year with a talented and knowledgeable new AHDB Board (see page 5) who share my passion for UK agriculture and the role AHDB can play in its future. Jane King has also been appointed as AHDB's new Chief Executive from February 2015.

This new team is in the process of reviewing how AHDB can deliver the tools and information to support UK agriculture in facing up to the challenges and preparing for growth in the future.

Over the coming years, AHDB has the ambition to become a world leading centre of agricultural innovation, covering both technical and business areas and working across the supply chain.

During 2015, with the help and input of our sector boards, our staff and our stakeholders, we will thoroughly re-examine the priorities for levy spend and where we can add the most value. This will shape AHDB going forward.

I have great optimism for the future of British agriculture and I believe AHDB must be, and can be, central to delivering growth over the coming years.

**Peter Kendall**  
**Chair**  
**Agriculture and Horticulture Development Board**



# Chief Executive's report

## Delivering for levy payers

### Introduction

I joined as Chief Executive in early February 2015 and my first few months have been spent listening, learning and reviewing the effectiveness of the organisation.

It is clear there is an enormous amount of valuable evidence-based technical, business and market information delivered by passionate AHDB staff to levy payers. This report, in the main, looks back at this performance over the 12 months of April 2014 to March 2015.

As someone new to the organisation, I believe it is healthy to review and revise how we operate to ensure maximum value and relevance for levy payers. I can see there are opportunities to remove duplication and share our best practice across all our operations. We could also achieve more impact through greater focus – doing less and doing it more effectively. In future, we should work harder at measuring our activities to demonstrate to ourselves and levy payers what delivers the most positive outcomes. I will return to these points at the end of my report.

### Purpose and priorities

Our purpose is to drive growth, to help our agriculture and horticulture industries become more competitive and more sustainable through factual, evidence-based information and activity.

There are five core priorities identified by the AHDB Board which our 2014/15 business plans were structured to deliver:

1. To help levy payers to improve productivity, cost management and resource use efficiency (adaptation to and mitigation of climate change, managing soils, water and market volatility)
2. To help levy payers to prevent and manage disease
3. To develop markets (export development, promoting quality products to differentiate against imports, market information and analysis)
4. To help levy payers to understand and adapt to the regulatory and policy environment
5. To help levy payers to address labour market issues and skills development.

### Risks

The principal risks and uncertainties that face AHDB concern a potential inability to conduct levy-payer services in the event of a major 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 the levy board.

The AHDB Board's Audit and Risk Assurance Committee (membership listed on page 5) is satisfied that the general level of management control is sufficient to ensure good value for the monies raised by the levies in all six sectors.

As custodians of levy-payer money, we regard our appetite for risk as low. However, we believe this should not prevent us from taking opportunities which will aid successful and innovative development in line with our Corporate Plan.

### Key programmes

The main areas of work we undertook during 2014/15 were:

- Extensive **research and development** (R&D) programmes which continued to secure scientifically robust and commercially useful outcomes for our levy payers.
- Efficient **farm-level knowledge transfer** programmes based on evidence, both from third party science and our own R&D, which were aimed to improve efficiency, productivity and sustainability.
- Unbiased, high-quality **market information** was provided that helped business decision-making and improved supply chain transparency.
- **Export market development** work and also domestic marketing activity to **inspire and inform consumers** were undertaken in order to assist the economic viability of sectors which require this.
- Awareness of food and where it comes from was communicated to **school children** and we supported the agriculture and horticulture industries to develop and attract workers with the **skills** needed to operate effectively.

Examples of some of the outcomes from these levy-funded work programmes can be found on pages 12 to 13.

### Progress

We measure progress throughout AHDB's divisions by using key performance indicators (KPI's) in seven areas:

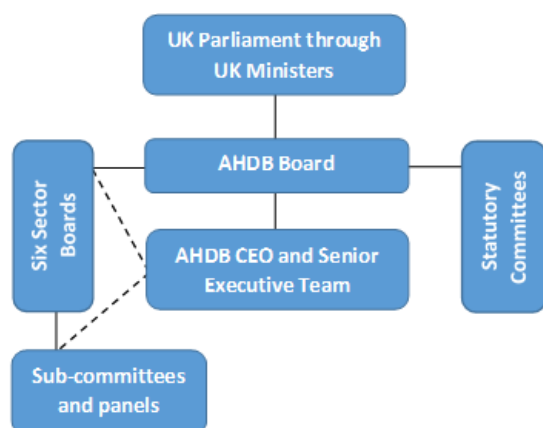
| AHDB Performance Indicator  | Progress after 12 months  |
|---|---|
| <u>Meeting needs</u> : benchmark and measure the overall satisfaction of levy payers with support services provided   | 67% satisfied (2014/15 surveys)   |
| <u>Knowledge transfer</u> : benchmark and then measure annually, the proportion of businesses engaging with AHDB that claim that we have had a positive influence on their enterprise | 40% of levy payers claim that AHDB has had a positive influence on their enterprise (2014/15 surveys) |



| AHDB Performance Indicator   | Progress after 12 months   |
|--|--|
| <u>Climate change mitigation and adaptation:</u> Measure progress with Greenhouse Gas Action Plan (GHGAP) through the reports by the Committee on Climate Change (CCC) on industry's actions to adapt and deliver reductions in GHG emissions                                  | The 2014 CCC report confirmed the agricultural sector had met its GHG reduction targets for 2008–2012. The report recognised limitations with the reporting methods which may not reflect change of practice on farm   |
| <u>Export development:</u> Measure the increase in value of exports of British beef, sheep meat, pig meat, offals and other related livestock products, seed potatoes, raw cereals and raw oilseed from £2.7 billion in 2012 towards a target of 10% growth by the end of 2015 | The total figure for the 12 months to 31 December 2014 was £2.4bn – which was marginally up on £2.3bn for 2013, but still down on the 2012 benchmark figure.   |
| <u>Market intelligence:</u> Measure the increase in circulation of the combined Market Intelligence publications from circa 31,000 per month (Nov 2013) towards a target of 35,000 by March 2017   | The combined circulation was up to 34,913 as at March 2015   |
| <u>Skills:</u> We will drive the new AgriSkills strategy – <i>Professionalism in Agriculture</i> – to deliver the aims and objectives in its action plan by 31 March 2017 – progress recorded at quarterly meetings of the AgriSkills Forum Management Group                   | Steady progress made. AgriSkills is leading on the development of, potentially, nine new demand-led apprenticeships for the industry. Continuous Professional Development (CPD) review undertaken and work has started on improving professional recognition across the industry |
| <u>Operational efficiency:</u> We will measure the AHDB support costs as a percentage of income – 13.2% at 31 March 2013 – and reduce and then maintain this at 12%  | Support costs were down to 10.6% of income at 31 March 2015  |

## Governance

Levy payers are at the heart of what we do and, therefore, we are accountable to Government on how we use public money. We largely achieve this through our governance structure.



Direct levy-payer involvement is through our six sector boards and our various sub-committees and panels which 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. The six industry specialists on the main AHDB Board act as the Chairs for the six sector boards. *A list of sector board members can be found on pages 63 to 64.*

The Statutory Instrument specifies that a levy raised from an industry sector must be spent to the benefit of that sector. This particular aspect is seen as very important by levy payers and farming unions. Our work programmes and financial management processes and reports provide evidence that this is being delivered.

During the past year, the main AHDB Board held six meetings. In addition, the six sector boards held a total of 32 meetings between them.

We also conducted regular sector-focused open meetings, conferences and workshops for levy payers and industry stakeholders around the UK, giving those who choose to, plenty of opportunity to engage. We also had teams at most of the major UK agriculture and horticulture events and we consulted widely on our Corporate Plan and the proposed levy rates for 2015/16 – which remain unchanged for the third year running.

**Wholly owned subsidiaries:** 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 profits returned to AHDB to supplement levy funds. During 2014/2015, the company made a small retained surplus of £48,000.

A further wholly owned subsidiary company, Sutton Bridge Experimental Unit Limited (SBEU), is used to hold the property occupied by the AHDB crop 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 division's operating results.

*More details on these subsidiaries can be found on page 14 and in Note 9.*

**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, within a 90 day period, a ballot will be held for that levy and the results sent to Ministers for a decision. AHDB received five requests for a ballot during the past year, four from horticulture levy payers and one from a sheep levy payer.

*More details on governance can be found on pages 24 to 28.*

## Financial performance

Our total income (levy/grant/commercial) for 2014/15 was £66.7 million. Our budget for the year aimed to deliver a small retained surplus. Due to the phasing of some project spend, we closed the year with a retained operating surplus of £2.1 million.

Our total comprehensive income, shown on page 30, was £0.25 million but it is important to note that this is after charging a reduction in the pension scheme assets recognised in the balance sheet of £1.85 million, which does not form part of funds available to levy payers.

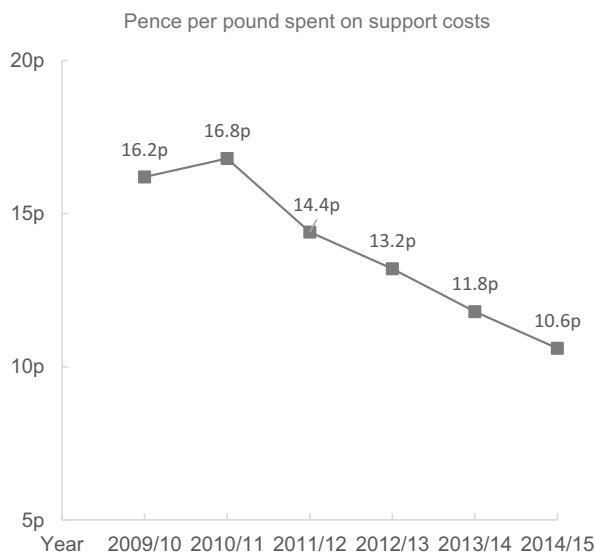
We continue to focus on improving our own operating efficiencies and optimising the proportion of levy payer funds we spend on front-line services. The amount of funds spent on direct levy-payer-facing activities increased

by £1.1 million over the previous year's record level to a new high of £55.5 million.

Four years ago, our expenditure on direct levy-payer activities was £47.4 million and other expenditure was £11.5 million. This year, while our direct expenditure reached £55.5 million, our other expenditure, including levy collection costs, was down to £8 million. This illustrates our progress in driving value for money for levy payers within our operations.

On average, 10.6 pence in every pound of income was spent on support costs in the year ending 31 March 2015 compared to 11.8 pence for the year ending 31 March 2014 and 16.2 pence for the year ending 31 March 2010. Central support costs were 7.9 pence in every pound of income.

### Falling support costs



Our reserves are maintained around a target level which ensures the organisation has sufficient cash funds to enable it to meet its obligations. Levy payers' reserves at the end of the year were £21.8 million, although expenditure of almost £900k which had been budgeted to be incurred in the year was delayed into the new financial year and will reduce reserves for 2015/16 accordingly. Reserves are represented largely by cash and working capital assets and liabilities, which fluctuate as levy collection cycles vary through the year. This puts AHDB into a stronger financial position to address some of the more challenging industry issues during the year ahead.

We continued to play close attention to our credit collection procedures to minimise the risk from bad debts.

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 2014/15, 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).

### People factors

In October 2014, we had a milestone event when we moved staff from three separate offices on the Stoneleigh Park site into a purpose-built two-storey office building leased from Stoneleigh Park landlord, LaSalle Investment

Management. This is the first time that all our Stoneleigh-based staff have been located in a single building since AHDB was formed in 2008. It has a great atmosphere and is facilitating better interaction between staff than previously and forging a stronger team spirit. The number and variety of formal and informal meeting rooms/spaces has also enabled us to dramatically cut down on the costs for hiring meeting rooms for all the industry/partner meetings we host.

I am a strong believer in the payback you get from properly training and developing an organisation's people. This is very important for AHDB which is only as good as the people we employ. One of my priorities going forward is to put in place a more structured training and development programme to help nurture and retain our talent in order to deliver excellent services and compelling levy-payer engagement going forward.

For the year ended 31 March 2015, we employed a total of 376 staff on levy activity (382 in previous year) and 111 staff in our commercial operations (114 in previous year). Our staff turnover ran at 14.0%, down by 0.5% on the previous year.

Our third annual AHDB staff survey was voluntarily completed by 324 staff. The overall results were again very positive with 54 per cent of the scores being the same or higher than in the previous year. 85% of staff saw AHDB as a good employer (up 1%); the number of people involved in cross-sector working was 67%; and 77% said they found their work motivating. Clearly, there are some areas which require further work such as only 38% of staff thought there was consistency of implementation of policies across divisions. This is a key area where the one organisation approach will benefit the workforce as well as the levy-payer.

### Future plans

AHDB staff do a wide range of fantastic work but we are never complacent. Despite our past achievements, the Board and I believe AHDB is capable of a step change in the way it operates to support the industry even more effectively in reaching its full potential for the future.

We have a vision for AHDB to be ambitious for agriculture, driving growth at home and overseas, enabling producers/growers to be more sustainable and compete with the very best in the world.

To achieve this, AHDB will have to work smarter and harder as one efficient, dynamic organisation. By restructuring and removing duplication and silo working we can use our resources better. We can have far greater collaboration and wider sharing of best practice across AHDB. We can also introduce more robust measurement of our activities to prove they really work for levy payers.

Our aim is for the organisation to be superior in every aspect of its core services, delivering more added value for our levy payers. This will require ongoing investment in its people, processes and systems.

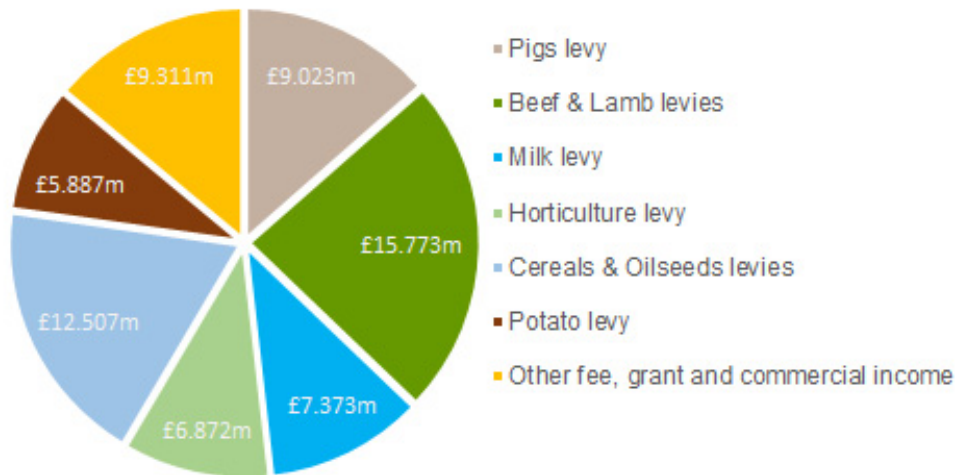
**Jane King**  
**Chief Executive and Accounting Officer**  
**Agriculture and Horticulture Development Board**

# The levies and where they are spent

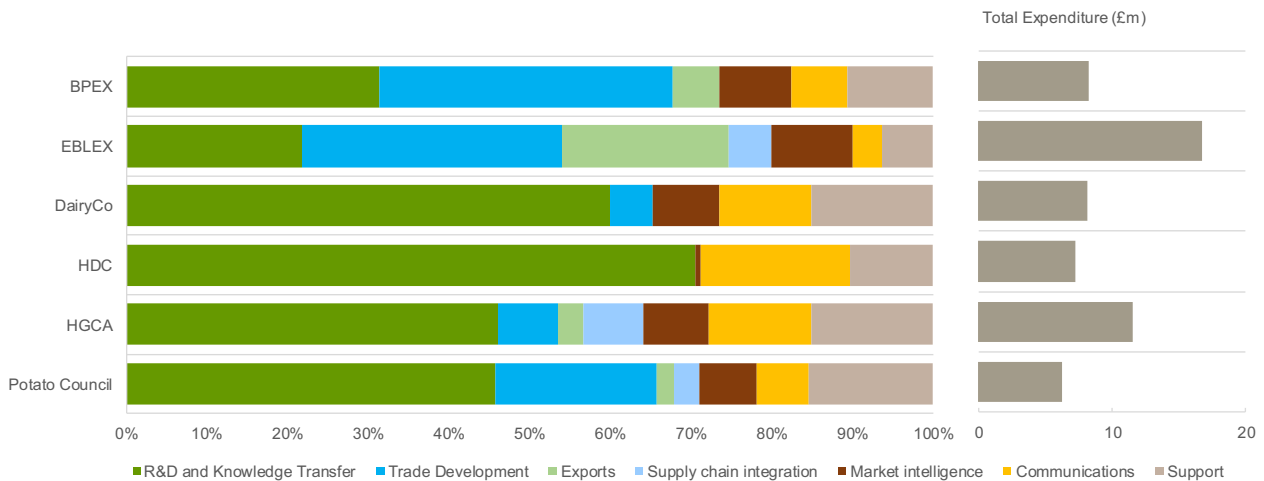
## Total income

The total 2014/15 income was £66.746 million, this comprised £57.435 million of levies paid by farmers, growers and some others in the supply chain, and supplemented with other fee, grant and commercial income totalling £9.311 million.

The chart below shows the levy raised from each commodity sector. These funds are ring-fenced to ensure they are used to the benefit of the sectors from which they were raised.



## Comparative sector expenditure as a percentage of total sector expenditure



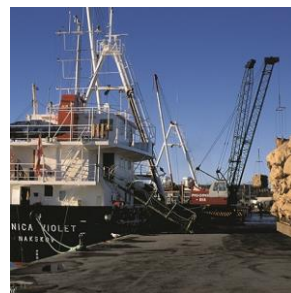
This chart shows how the levy collected from each commodity sector in 2014/15 was deployed across the core activity areas of R&D and knowledge transfer/exchange, trade development (this includes consumer marketing), exports, supply chain integration, market intelligence (eg pricing and other business information), communications and support services (IT, finance, legal, HR, etc.). It helps to demonstrate the different work stream and investment priorities across the sectors (detailed within our divisional business plans). See Notes 2a and 2b on pages 41 to 44 for the actual figures.

## Levy rates during 2014/15

| SECTOR                                  | Levy rate 2014/15  | Higher rate for late payment |
|---|--------------------|------------------------------|
| <b>Pigs (England)</b>                   | £ per head         | £ per head                   |
| Producer                                | 0.85               | 0.935                        |
| Slaughterer/exporter of live pigs       | 0.20               | 0.22                         |
| <b>Beef and Lamb (England)</b>          | £ per head         | £ per head                   |
| <b>Cattle (excluding calves)</b>        |                    |                              |
| Producer                                | 4.05               | 4.05                         |
| Slaughterer/exporter of live cattle     | 1.35               | 1.35                         |
| <b>Calves</b>                           |                    |                              |
| Producer                                | 0.08               | 0.08                         |
| Slaughterer/exporter of live calves     | 0.08               | 0.08                         |
| <b>Sheep</b>                            |                    |                              |
| Producer                                | 0.60               | 0.60                         |
| Slaughterer/exporter of live sheep      | 0.20               | 0.20                         |
| <b>Milk (GB)</b>                        | Pence per litre    | Pence per litre              |
| Buyers and direct sellers of milk       | 0.060              | 0.066                        |
| <b>Cereals and oilseeds (UK)</b>        | Pence per tonne    | Pence per tonne              |
| Cereal grower                           | 46.00              | 50.60                        |
| Cereal buyer                            | 3.80               | 4.18                         |
| Cereal processor (human and industrial) | 9.50               | 10.45                        |
| Cereal processor (feed)                 | 4.60               | 5.06                         |
| Oilseeds                                | 75.00              | 82.50                        |
| <b>Horticulture (GB)</b>                | % sales turnover   | % sales turnover             |
| Horticulture products                   | 0.50               | 0.55                         |
| <b>Mushroom spawn</b>                   | Pence per litre    | Pence per litre              |
| - Agaricus                              | 8.0                | 8.8                          |
| - Non-agaricus                          | 2.0                | 2.2                          |
| <b>Potatoes (GB)</b>                    |                    |                              |
| Potato growers                          | £42.62 per hectare | £48.08 per hectare           |
| Purchasers of potatoes                  | £0.1858 per tonne  | £0.2076 per tonne            |
|   |                    |                              |



## Examples of delivering for levy payers



The 2014/15 year has seen a huge programme of AHDB work and a significant number of projects undertaken to meet our priorities – all aimed at building a more competitive and sustainable industry which learns, adapts, acquires skills, innovates and adopts new technologies. Some delivery examples include:

- **Pesticides to combat pests and diseases** – Our future-proofing work in the horticultural crops sector saw the completion of our flagship SCEPTRE project on new minor pesticide uses which included testing 163 new products across 21 edible crops over four years. Co-funded by Defra and agrochemical companies, this work underpinned the development of vital new Extension of Authorisation for Minor Use (EAMU) approvals for several years to come. Over 50 new EAMUs were secured in the last year.
- **Export growth delivers better carcass utilisation** – Our export development work in partnership with Defra, UK Trade & Investment and the Foreign and Commonwealth Office has led to a 76% increase in beef exports to non-EU countries and a 160% increase in the value of beef and sheep meat offal exports. As a direct result, beef and sheep carcass utilisation has improved by around 10% in recent years also bringing down the carbon footprint per kilo of meat produced.
- **Official China post** – We agreed with Government to majority fund a three-year senior official in the British Embassy in China to support our market access efforts for meat, dairy and potatoes. Karen Morgan started as the Agriculture and Food Counsellor in March 2015.
- **Skills development** – AHDB is a lead partner in the AgriSkills Forum and works across the industry on skills projects. An example is our pig industry

Technical Managers Scheme launched last year, completing the range of training courses we offer for pig unit staff at every level of development.

- **Online innovation with eGrain Passport development** – Five companies in the milling and malting supply chains are participating 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 includes developing a special mobile app for lorry drivers.
- **Record potato exports** – Working in partnership with Scottish Government, high health and high quality status GB seed potato exports reached an all-time record of more than 100,000 tonnes last year to markets such as Egypt, Canary Islands, Norway and Senegal. The majority of these seed potatoes are produced in Scotland, Northumberland and Cumbria.
- **Surge in digital delivery** – During the year, we have developed mobile apps and instructional videos and webinar workshops to meet the demand for online delivery of science into practice on farm. These include an additional 46 horticulture 'how to' film clips available on our YouTube channel, a mobile app for our popular crop walker guide series and a iPig app for vets to get access to Real Welfare Data and give immediate feedback to pig producers.
- **Educating schoolchildren** – AHDB is at the forefront of educating our schoolchildren about food and farming, and is facilitating better co-ordination of activity with twenty agricultural stakeholder organisations active in the education sector. In 2014, 14,600 (71%) of primary schools and 2,154 secondary schools participated in Grow your own Potato and Cook your own Potato, respectively.





## Examples of delivering for levy payers



- 16 new monitor farms** – We established 16 new arable monitor farms in England and one in Wales during 2014/15. They enabled more than 2450 people to come together at 70 meetings to share critical performance information related to their businesses. These added to the existing two in Scotland, joint-funded with Scottish Government.
- Innovation in nutrient management** – AHDB has taken on the responsibility for updating and revitalising the industry 'bible', RB209 Fertiliser Manual. This work includes co-ordinating the government, industry and levy-funded research programmes to fill the knowledge gaps, making investment in this vital area more productive and efficient. It will modernise fertiliser advice for many crops including grass and forage crops, and publication of the first revision is planned for 2017.
- Dairy genetics progress** – This last year saw the launch of the new Spring Calving Index (£SCI) and the re-weighted Profitable Lifetime Index (£PLI). The £SCI is designed as an across breed index for the increasing number of herds interested in breeding cows to work on a spring block calving and paddock grazing system with yields per cow around 4,000-5,000 litres. The £PLI puts more emphasis on longevity traits.
- Beef and sheep genetics progress** – A four-year, £1.8 million research project was started in partnership with Defra, Scotland's Rural College (SRUC) and a wider consortium of partners, to deliver a programme of selection for feed efficiency traits in beef cattle. This work is estimated to be worth a potential increase in farm level profit of 39 per cent. Overall, the value of genetic improvement delivered to the UK beef and sheep sectors is estimated to be over £20 million a year.
- Evidence on loss of crop protection actives** – A report commissioned by AHDB assesses the financial impact of the loss of crop protection active substances, which might be defined as endocrine disruptors under the new EU-based hazard-based approach, at over £905 million to UK agriculture or 10% of current farmgate value.
- Nurturing technical expertise** – AHDB's £1.5m annual PhD Studentship programme supports 15–20 new projects per year. Each lasts for around four years meaning there are around 60–80 running at any one time, delivering specific new scientific studies for the industry as well as supporting the succession of technically-able people into research and the industry.
- Agri-Tech projects** – AHDB is currently involved in a number of bids for Agri-tech innovation funding on projects such as a Centre for Innovation and Excellence in Livestock (CIEL) where we have pulled together more than 80 companies and nearly 30 industry organisations to support the bid.
- Scottish Dairy Hub** – A 'Dairy Hub' was launched in Scotland and is quickly developing as the single point of reference for Scottish dairy farmers seeking information, advice or training. It is jointly funded with Scottish Government for an initial three-year period.
- Welsh Dairy Initiative** – We deliver a ground breaking arrangement with the Welsh Government (WG) regarding the delivery of dairy knowledge transfer activities. These are combined with those of the WG Farming Connect Dairy Development Programme to provide one set of co-ordinated activities, delivering more for Welsh dairy farmers. Future arrangements are yet to be confirmed.



# 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.

While it is managed separately within AHDB, it is overseen by a Board of Directors which includes members of the AHDB Senior Executive Team including the CEO, Director of FABS & HR, and directors of the red meat sectors. All costs are fully accounted for within the organisation, and its financial results are consolidated into the Statement of Comprehensive Income of the AHDB Group.

## Delivery highlights for 2014/15

- Our independent carcass classification service continues to add value to the meat supply chain, to the benefit of both farmers and processors. This is underlined by a consistency in the high proportion of beef, lamb and pig carcasses classified by the MLCSL Authentication team.
- During the financial year, these services were delivered in 56 plants covering England, Scotland and Wales.
- During 2014/2015, the company made a small retained surplus (£48k), which reflects the streamlined cost base that was introduced by the Board in late 2013. This is the first time MLCSL has generated a retained surplus in a number of years.
- 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 9 to the accounts.*

# Financial review of the year

## Introduction

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

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

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

*AHDB's Corporate Governance is described and reviewed in the Governance Statement on pages 24 to 28.*

## 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 continue to face AHDB's operational capability 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 surrounding 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 £2.1 million in the year while AHDB's overall results show net comprehensive income of £0.25 million (2013/14: income of £2.8 million). Included in the comprehensive income is a reduction in the value of the MLC Pension scheme asset of £2.1 million, and an increase in the value of the HGCA pension scheme asset of £0.2 million. Levy income increased by £3.4 million compared with the previous year, with the cereals sector contributing £2 million of the increase. Support expenditure reduced by £0.3 million to £8.0 million, its lowest level since AHDB was formed. In addition, expenditure invested in levy-payer-facing activity increased by £1.1 million, to £55.5 million.

The cash balance at the end of the year was £20 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 2015, accounts for its pension scheme obligations under the full accounting requirements of IAS 19 (revised): 'Accounting for Retirement Benefits in Financial Statements of Employers'. There are legacy pension schemes from the Meat & Livestock Commission (MLC) and HGCA with recognition of pension assets of £7.6 million and £83k, 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 moved into its new leasehold premises on Stoneleigh Park. AHDB funded the fit-out of the building, and the cost incurred in the year of £1.53m was capitalised, to be depreciated over the 15-year life of the lease. AHDB owns one freehold property, revalued at March 2014 and depreciated to account for wear and tear until its next revaluation in 2017. Details of the movements in Property, Plant and Equipment during the year are set out in Notes 7 and 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 2014/15 was 259 (53%) male and 228 (47%) female (2013/14: 53% male, 47% female). For staff working on levy activities, the split was 158 (42%) male and 218 (58%) female (2013/14: 41% male, 59% female). Out of the 12 members of the Senior Executive Team during 2014/15, 10 were male and 2 were female (2013/14: 10 male, 2 female).

Absence due to sickness is monitored across the AHDB group and, in the year ended 31 March 2015, days lost through sickness equated to 5.1 days per full-time equivalent employee or 1.97% of total attendance (2014: 4.5 days, 1.73%).

*Details of AHDB Board members and statutory committees are shown on page 5. Sector board members are shown on pages 64.*

### **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 25 days' purchases outstanding (2014: 20 days).

### **Contractors**

AHDB utilises the services of specialist individual contractors to provide specific services where the resource is not available in-house and where it would not be commercially or operationally viable to provide the resource internally. During 2014/15 the cost of services provided by such contractors was £318k.

### **Environmental issues**

Having completed its move into one head office building at Stoneleigh Park during 2014/15, AHDB has undertaken a review with its internal auditors, KPMG, of its sustainability arrangements. A sustainability strategy will be designed and implemented during 2015/16, with the purpose of increasing the awareness of sustainability issues across the business, and to introduce measures and opportunities for staff throughout the organisation to help reduce AHDB's carbon footprint. Further information is supplied in the Sustainability Report on page 17.

### **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 15 June 2015.



# 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 relatively 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 started collecting base data where it is obtainable, as disclosed in the table opposite. 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:** AHDB utilised the specialist resource of its internal auditors, KPMG, to carry out a review of sustainability in AHDB, both in its current position and its future plans. In addition, KPMG made a number of recommendations to help AHDB operate to best practice in its sustainability activities.

A sustainability strategy will be designed during 2015/16 and will include working across the organisation with “Sustainability Champions” to enhance awareness of sustainability matters and find opportunities for the organisation to improve its performance in this area.

AHDB’s company car policy restricts the choice of car CO<sub>2</sub> emissions to a maximum of 125. Staff are also encouraged to seek alternatives to long-distance driving where possible, particularly by utilising new remote conferencing facilities, including one-to-one meetings, through the technology introduced in 2014/15. Plans are also under consideration to facilitate sustainable behaviours such as how to encourage more staff to use electric cars not only for business travel but also those using their own cars for coming to work.

AHDB’s carbon footprint, measured in tonnes of CO<sub>2</sub>, (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 CO<sub>2</sub> emissions. It is noted that the number of miles travelled reduced in 2014/15 by 9%. Plans for 2015/2016 include carrying out further analysis of travel to increase the proportion incurred in direct levy-payer-facing functions such as knowledge exchange.

The fit-out of the new premises was designed with space planning as a specific priority, recognising that one of the greatest impacts on sustainable buildings is workspace.

**Biodiversity:** AHDB and its divisions continue to 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 2013/14, and compared it in 2014/15:

| Greenhouse Gas Emissions                   | Year ended 31 March 2015 |                        | Year ended 31 March 2014 |                        |
|--|--------------------------|------------------------|--------------------------|------------------------|
|  | Measure                  | Tonnes CO <sub>2</sub> | Measure                  | Tonnes CO <sub>2</sub> |
| <b>Scope 1: Direct Emissions</b>           |                          |                        |                          |                        |
| <b>Bulk Fuels:</b>                         |                          |                        |                          |                        |
| Vehicles (miles)                           | 1,439,677                | 436                    | 1,675,493                | 510                    |
| Heating oil (litres)                       | 10,521                   | 29                     | 36,994                   | 89                     |
| Gas (kWh)                                  | 86,653                   | 16                     | 149,469                  | 27                     |
| <b>Scope 2: Energy Indirect</b>            |                          |                        |                          |                        |
| Electricity (kWh)                          | 687,496                  | 337                    | 978,300                  | 433                    |
| <b>Scope 3: Other Indirect Emissions:</b>  |                          |                        |                          |                        |
| Rail travel (miles)                        | 234,520                  | 18                     | 173,111                  | 14                     |
| Air travel (miles)                         | 378,220                  | 64                     | 421,732                  | 84                     |
| Travel by non-AHDB-owned transport (miles) | 869,444                  | 263                    | 965,096                  | 294                    |
| Waste management (tonnes)                  | 51                       | 7                      | 41                       | 5                      |
| <b>Total</b>                               |                          | <b>1,170</b>           |                          | <b>1,456</b>           |
| <b>Tonnes/£m income</b>                    |                          | <b>17.5</b>            |                          | <b>22.9</b>            |

**Water:** Due to the temporary nature of AHDB’s previous accommodation, we did not have water meters fitted to our main office premises. Our new permanent offices are equipped with water meters, so base data will be collected for 2015/16. The total cost of our water supply in 2014/15 was £1.2k (2013/14: £3k). 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 25 tonnes were recycled and 26 tonnes went to landfill. In moving to a single office building, AHDB cleared a lot of stocks and records no longer required. As a result, the total spend on waste management in the year was £22k (2014: £14k). 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 2015 were Fiona Fell and Gwyn Jones. 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 28):

- 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 Director of Market Intelligence, the Director of Finance and Business Services & HR (FABS & HR), the Director of Communications and Legal Services, and the Head of Levy Payer 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 which is subject to performance conditions where agreed is restricted under government pay guidelines to a maximum of 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 2015.

|   | Contract start date | Contract expiry date | Contract | Unexpired term |
|---|---------------------|----------------------|----------|----------------|
| Jane King: Chief Executive                                      | 01-Feb-15           | 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 |
| Anna Farrell: Head of Levy Payer Communications                 | 01-Dec-14           | Indefinite           | 6 months | Not applicable |
| Rebecca Geraghty: Director of HGCA Sector                       | 01-Jun-09           | Indefinite           | 6 months | Not applicable |
| Chris Goodwin: Director of Finance and Business Services & HR   | 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 2015. 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<br>(Bands of £5,000) |         | Bonus<br>(Bands of £5,000) |         | Benefits in kind<br>(Nearest £100) |         | Compensation<br>(Bands of £5,000) |         | Pension benefit<br>(Nearest £000) |         | Total<br>(Bands of £5,000) |         |
|---|-----------------------------------|---------|----------------------------|---------|------------------------------------|---------|-----------------------------------|---------|-----------------------------------|---------|----------------------------|---------|
|   | 2014-15                           | 2013-14 | 2014-15                    | 2013-14 | 2014-15                            | 2013-14 | 2014-15                           | 2013-14 | 2014-15                           | 2013-14 | 2014-15                    | 2013-14 |
| Jane King (commenced 1 Feb 2015. Basic salary £125-£130k)     | 20-25                             | -       | -                          | -       | 1,700                              | -       | -                                 | -       | 2,000                             | -       | 25-30                      | -       |
| Tom Taylor (Note 1)   | 140-145                           | 150-155 | 5-10                       | 5-10    | 8,100                              | 10,200  | -                                 | -       | 14,000                            | 15,000  | 175-180                    | 185-190 |
| Nick Allen  | 75-80                             | 70-75   | 5-10                       | Waived  | 8,900                              | 8,500   | -                                 | -       | 15,000                            | 12,000  | 105-110                    | 95-100  |
| Guy Attenborough  | 75-80                             | 70-75   | 5-10                       | 0-5     | 9,600                              | 10,600  | -                                 | -       | 25,000                            | 12,000  | 110-115                    | 90-95   |
| Ken Boyns   | 80-85                             | 80-85   | Waived                     | 0-5     | 9,000                              | 9,000   | -                                 | -       | 10,000                            | 10,000  | 100-105                    | 105-110 |
| Rob Clayton   | 65-70                             | 65-70   | 0-5                        | 0-5     | 5,100                              | 5,600   | -                                 | -       | 7,000                             | 7,000   | 80-85                      | 80-85   |
| Ian Crute (Note 2)  | 30-35                             | 80-85   | 5-10                       | 0-5     | 4,400                              | 10,800  | -                                 | -       | -                                 | -       | 40-45                      | 95-100  |
| Jackie Dubery (Note 3)  | -                                 | 60-65   | -                          | 5-10    | -                                  | 4,800   | -                                 | 60-65   | -                                 | 6,000   | -                          | 140-145 |
| Anna Farrell (commenced 1 Dec 2015. Basic salary £70k - £75k) | 20-25                             | -       | -                          | -       | 1,600                              | -       | -                                 | -       | 2,000                             | -       | 25-30                      | -       |
| Rebecca Geraghty  | 65-70                             | 65-70   | Waived                     | Waived  | 6,100                              | 6,300   | -                                 | -       | 13,000                            | 15,000  | 85-90                      | 85-90   |
| Chris Goodwin   | 95-100                            | 85-90   | 0-5                        | 5-10    | 10,700                             | 8,200   | -                                 | -       | 10,000                            | 9,000   | 125-130                    | 110-115 |
| Bill Parker   | 65-70                             | 65-70   | 0-5                        | 0-5     | 8,000                              | 8,200   | -                                 | -       | 7,000                             | 7,000   | 85-90                      | 85-90   |
| Duncan Pullar   | 70-75                             | 70-75   | 0-5                        | 0-5     | 5,000                              | 4,900   | -                                 | -       | 10,000                            | 11,000  | 90-95                      | 90-95   |
| Mick Sloyan   | 90-95                             | 85-90   | 5-10                       | 5-10    | 10,200                             | 10,100  | -                                 | -       | 19,000                            | 3,000   | 125-130                    | 105-110 |

Note 1: Tom Taylor left AHDB on 30 November 2014. He was paid for the remaining three months of his contract, included in the above figures.

Note 2: Ian Crute reduced his working commitments in a phased manner through the prior year and left AHDB's Senior Executive Team on 30 September 2014. His full time equivalent salary was £100k-£105k. He joined the AHDB board as an Independent Board member on 1 October 2014.

Note 3: 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 2015.

|   | Pension Scheme details           | Employees contribution rate | Employers contribution rate |
|---|----------------------------------|-----------------------------|-----------------------------|
| Jane King: Chief Executive from 1 February 2015   | AHDB Group Personal Pension Plan | 10.0%                       | 10.0%                       |
| Tom Taylor: Chief Executive to 31 November 2014   | 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 to 30 September 2014   | Private pension arrangement      | -                           | -                           |
| Anna Farrell: Head of Levy Payer Services from 1 December 2014  | MLC Defined Contribution Scheme  | 5.0%                        | 7.0%                        |
| Rebecca Geraghty: Director of HGCA Sector   | HGCA Defined Benefit Scheme      | 6.5%                        | 17.2%                       |
| Chris Goodwin: Director of Finance and Business Services & HR   | AHDB Group Personal Pension Plan | 10.0%                       | 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 and Acting Chief Executive from 1 December 2014 to 31 January 2015 | 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 2015.

|   | Total accrued pension              |                        |                                    | Cash equivalent transfer value |                        |                 |
|---|------------------------------------|------------------------|------------------------------------|--------------------------------|------------------------|-----------------|
|   | Annual entitlement as at 31-Mar-15 | Real terms inc in year | Annual entitlement as at 31-Mar-14 | As at 31-Mar-15                | Real terms inc in year | As at 31-Mar-14 |
|   | £'000                              | £'000                  | £'000                              | £'000                          | £'000                  | £'000           |
| Nick Allen: Director of EBLEX Sector                            | 20-25                              | 0-2.5                  | 15-20                              | 374                            | 15                     | 291             |
| Guy Attenborough: Director of Communications and Legal Services | 15-20                              | 0-2.5                  | 15-20                              | 286                            | 25                     | 207             |
| Rebecca Geraghty: Director of HGCA Sector                       | 15-20                              | 0-2.5                  | 15-20                              | 351                            | 13                     | 324             |
| Duncan Pullar: Director of DairyCo Sector                       | 20-25                              | 0-2.5                  | 15-20                              | 298                            | 10                     | 228             |
| Mick Sloyan: Director of BPEX Sector                            | 50-55                              | 0-2.5                  | 50-55                              | 1,089                          | 19                     | 897             |

### 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 2015.

|   | Employer's contributions     |                              |
|---|------------------------------|------------------------------|
|   | For the year ended 31-Mar-15 | For the year ended 31-Mar-14 |
|   | £'000                        | £'000                        |
| Jane King: Chief Executive (commenced 1 February 2015)            | 2                            | -                            |
| Tom Taylor: Chief Executive                                       | 10                           | 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 | -                            | 8                            |
| Anna Farrell: Head of Levy payer communications                   | 2                            | -                            |
| Chris Goodwin: Director of Finance and Business Services & HR     | 10                           | 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 annualised banded remuneration, excluding pension benefit, of the highest paid executive employed by AHDB during the financial year 2014/2015 was £175k–£180k (2013/14: £170k–£175k). The median remuneration of the workforce was £30k–£35k, a ratio of 5.1 times (2013/14: £30k–£35k, 4.9 times). The annualised banded remuneration of the highest paid executive employed as at 31 March 2015 (who replaced the highest paid executive as Chief Executive on 1 February 2015) was £140k - £145k, a ratio of 4.1 times.

In 2014/15 and 2013/14, no employees received remuneration higher than the annualised amount paid to the Chief Executive. Total remuneration includes salary, non-consolidated performance-related pay and benefits in kind. 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 2015. No other cash or non-cash benefits were provided to AHDB Board members.

|   | For the year ended 31-Mar-15<br>£'000 | For the year ended 31-Mar-14<br>£'000 |
|---|---------------------------------------|---------------------------------------|
| Peter Kendall: Chair of AHDB (appointed 1 April 2014)                             | 50-55                                 | -                                     |
| John Godfrey: Chair of AHDB (term ended 31 March 2014)                            | -                                     | 50-55                                 |
| Tim Bennett: Chair of DairyCo Sector Board (term ended 31 March 2014)             | -                                     | 45-50                                 |
| Neil Bragg: Chair of HDC Sector Board (term ended 30 September 2014)              | 20-25                                 | 45-50                                 |
| Lorraine Clinton: Independent Board member of AHDB (term ended 30 September 2014) | 10-15                                 | 20-25                                 |
| John Cross: Chair of EBLEX Sector Board (term ended 31 March 2015)                | 45-50                                 | 50-55                                 |
| Ian Crute: Independent Board member of AHDB (appointed 1 October 2014)            | 5-10                                  | -                                     |
| Fiona Fell: Chair of PCL Sector Board (appointed 1 April 2014)                    | 30-35                                 | -                                     |
| Stewart Houston: Chair of BPEX Sector Board (term ended 31 March 2015)            | 45-50                                 | 45-50                                 |
| Gwyn Jones: Chair of DairyCo Sector Board (appointed 1 October 2014)              | 15-20                                 | -                                     |
| Tim Kelly: Independent Board member of AHDB (term ended 31 March 2015)            | 15-20                                 | 10-15                                 |
| Will Lifford: Independent Board member of AHDB                                    | 10-15                                 | 10-15                                 |
| David Piccaver: Chair of Potato Council Sector Board (resigned 11 October 2013)   | -                                     | 15-20                                 |
| Gary Taylor: Chair of HDC Sector Board (appointed 1 October 2014)                 | 5-10                                  | -                                     |
| Jonathan Tipples: Chair of HGCA Sector Board (term ended 31 March 2015)           | 45-50                                 | 45-50                                 |

The emoluments of AHDB's Board members during the year ended 31 March 2015 were paid on the basis that a certain number of planned days were worked. Lorraine Clinton's emoluments included 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 |
|--|---------------------|-------------------|
| Peter Kendall: Chair of AHDB                   | 01-Apr-14           | 31-Mar-17         |
| John Cross: Chair of EBLEX Sector Board        | 01-Apr-12           | 31-Mar-15         |
| Ian Crute: Independent Board member of AHDB    | 01-Oct-14           | 30-Sep-17         |
| Fiona Fell: Chair of PCL Sector Board          | 01-Apr-14           | 31-Mar-17         |
| Gwyn Jones: Chair of DairyCo Sector Board      | 01-Oct-14           | 30-Sep-16         |
| Stewart Houston: Chair of BPEX Sector Board    | 01-Apr-12           | 31-Mar-15         |
| Tim Kelly: Independent Board member of AHDB    | 13-Aug-12           | 31-Mar-15         |
| Will Lifford: Independent Board member of AHDB | 01-Apr-13           | 31-Mar-16         |
| Gary Taylor: Chair of HDC Sector Board         | 01-Oct-14           | 30-Sep-16         |
| Jonathan Tipples: Chair of HGCA Sector Board   | 01-Apr-12           | 31-Mar-15         |

On 1 April 2015, Ministers appointed the following to the AHDB Board: Stuart Roberts (also Chair, EBLEX Sector Board), Paul Temple (also Chair, HGCA Sector Board), George Lyon (Independent), whose contracts expire on 31 March 2018, and Meryl Ward (also Chair, BPEX Sector Board), whose contract expires on 31 March 2017.

**Jane King**  
**Chief Executive and Accounting Officer**  
**Agriculture and Horticulture Development Board**





# Agriculture and Horticulture Development Board Financial Section 2014/15

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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 2014/15

During the period since the date of approval of AHDB's last Annual Report and Accounts on 12 June 2014, the organisation has had three separate Accounting Officers in post. As Chief Executive until 30 November 2014 and Interim Chief Executive between 1 December 2014 and 31 January 2015, Tom Taylor and Mick Sloyan respectively fulfilled the role of Accounting Officer within AHDB, until 1 February 2015 when I took over the role.

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

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

### The purpose of governance

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

The process of governance and system of internal control were further embedded throughout the organisation during the year ended 31 March 2015 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 and Risk Assurance Committee (ARAC) and the Senior Executive Team (SET). During the financial year ended 31 March 2015, Tom Taylor, as Chief Executive, acted as sponsor of AHDB's corporate governance and risk management programme until 30 November 2014, with the Director of Finance and Business Services and HR (FABS & HR), and the Director of Market Intelligence (MI) acting as key programme managers. Mick Sloyan

took over the role, as Interim Chief Executive, from 1 December 2014 until 31 January 2015. Previously, Mick had involvement in maintaining the governance and risk management programme as Deputy Chief Executive. After taking over as Chief Executive on 1 February 2015, I reviewed the governance and risk management arrangements for the year to date with Mick Sloyan and the Directors of FABS & HR, and of MI, and actively managed the process thereafter. There is a risk management policy in place which details how the organisation manages governance and risk across the organisation and this is outlined in the sections below.

**The risk and control framework**

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

**Risk management policy**

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

**Risk appetite**

AHDB’s risk appetite is defined in a formal Statement on Risk Appetite included in the Risk Management policy. It provides guidance to management on the level of risk considered appropriate and, while AHDB regards its overall 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.

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. Due to the significant level of change on the AHDB Board, as discussed on page 27, and the change of Accounting Officer over a short space of time, the Board will formally review its risk appetite during 2015/16.

**Risk register**

AHDB has a comprehensive corporate risk register, which identifies headline and sub-risks and scores these on a pre- and post-control basis by likelihood and impact, noting any key preventative and remedial controls in place. The register is kept up to date on an ongoing basis and either the full or the core register is presented to each SET and ARAC meeting, and annually to the AHDB Board. The Risk Register is maintained at both corporate and sector level and risks are assessed according to their likelihood and their prospective financial impact on the

organisation. Sectors assess risks based on lower materiality levels but these may also appear on the Corporate Register if the impact is material to the organisation as a whole.

Risks are evaluated and scored according to their likelihood and their impact, 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. Key risks the organisation faces, and mitigations it has identified and put in place, include:

| Risk   | Mitigation   |
|--|--|
| Withdrawal of one or more levies due to dissatisfaction of levy payers.  | Ensure Corporate Plan and detailed business plans have industry support; collect and monitor levy payer feedback from events, surveys and key stakeholder meetings to ensure services are provided in alignment with their requirements. |
| UK research providers have inadequate capacity and succession to address industry research priorities. This would lead to use of funds for Research being directed by available expertise rather than 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.            |

AHDB is reviewing its internal structures and range of activities during the first half of 2015/16, as discussed in the Chief Executive’s report on page 9. The organisation has set up a dedicated risk register to manage the risks that would arise from any potential changes that could be implemented from the review, and has employed external expertise to contribute to the change management process and risk mitigation. No conclusions or decisions had been taken at the date of this report.

**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. AHDB’s Director of FABS & HR is a member of the Defra Network Counter-Fraud Forum.

**Whistle-blowing policy**

AHDB is committed to the highest standards of openness and accountability, and concerns about malpractice are taken very seriously. A disclosure to AHDB, based on an honest and reasonable suspicion that malpractice has occurred, is occurring or is likely to occur, will be protected.

Employees who raise concerns reasonably and responsibly will not be penalised. To enable such concerns to be raised, AHDB has a Whistle-blowing policy in place. Concerns may be raised with internal management, or an Independent AHDB Board member, or the Comptroller and Auditor General. If the employee is

not satisfied, at the conclusion of the process, that their concern has been dealt with appropriately, the policy enables them to report the matter to Defra.

### Standing Instructions (SI)

AHDB's Standing Instructions (SI) define the operating procedures for the organisation and include the Standing Orders, Standing Financial Instructions and a Scheme of Delegation. These are reviewed by the ARAC every other year and the updated version was approved by the Board in January 2015.

### Corporate Plan

A full Corporate Plan is produced every three years for the forthcoming three-year period and is refreshed annually. The 2014/15 financial year is year 1 of the current three-year cycle. The plan sits at the apex of the organisation's 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, 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 clearly defined targets for the year 2014/15, including targets for generating cost savings considerably higher than the functions cost, for the fourth year in succession.

The other principal objective of the Procurement function is to ensure AHDB complies with EU procurement regulations to enable it to demonstrate that goods and services are procured and awarded in a fair and transparent manner and in such a way as to provide optimum value for levy payers. Its processes have to be able to withstand public scrutiny and have been sufficiently robust to ensure no formal challenges were raised during the financial year.

### Information security framework

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

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

the Director of Communications and Legal Services and requires each IAO to certify annually. The Asset Register has been reviewed and refreshed during 2014/15 to enhance its completeness and to further embed the principles of information security across the organisation.

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 continuous improvement of the system is in place. AHDB embraces the principles and requirements of good corporate governance and we have established a Risk Management Group and implemented the following processes in maintaining and reviewing the effectiveness of the system of internal control.

### AHDB Board

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

In keeping with the corporate governance code for central government, the Board operates with the support of two sub-committees, 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 |
| Peter Kendall    | 5         | 5        | N/A       |          | 3            | 3        |
| Neil Bragg       | 3         | 3        | 2         | 1        | N/A          |          |
| Lorraine Clinton | 3         | 3        | 2         | 2        | 1            | 1        |
| John Cross       | 5         | 5        | 4         | 2        | N/A          |          |
| Ian Crute        | 2         | 2        | 2         | 1        | N/A          |          |
| Fiona Fell       | 5         | 5        | N/A       |          | 2            | 1        |
| Stewart Houston  | 5         | 5        | N/A       |          | 3            | 2        |
| Gwyn Jones       | 2         | 2        | N/A       |          | 2            | 2        |
| Tim Kelly        | 5         | 5        | N/A       |          | 3            | 3        |
| Will Lifford     | 5         | 5        | 4         | 4        | N/A          |          |
| Gary Taylor      | 2         | 1        | 2         | 0        | N/A          |          |
| Jonathan Tipples | 5         | 5        | 4         | 4        | N/A          |          |
| Phil Huggon      | N/A       |          | 4         | 4        | N/A          |          |
| David Neal-Smith | N/A       |          | 4         | 4        | N/A          |          |

Phil Huggon and David Neal-Smith are Independent members of the Potato Council and HGCA sector boards, respectively. As noted on page 5, Neil Bragg and Lorraine Clinton's terms ended on 30 September 2014. Ian Crute, Gwyn Jones and Gary Taylor were appointed from 1 October 2014.

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. Follow up audits to review implementation of recommendations from audits carried out in earlier years 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 five 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 is a number of standing items on which the Board receives written reports for information, discussion or on which to make decisions. These include 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; activity, risk and opportunity updates from each sector and corporate function; latest minutes of sub-committees; Chair and Chief Executive reports; reports on pension issues and summary Risk Register. In addition, reports are circulated to the Board as appropriate, covering current industry issues to enable the Board to determine priorities for AHDB and ensure it develops its strategy to deliver services in line with the industry's needs. During 2014/15, examples of such reports have included:

| Board topics                              | Outcome  |
|---|--|
| Agri-tech strategy and Horizon 2020       | The Board received updates on the Agri-tech strategy and considered how the industry-wide activities undertaken in this area may be applied to benefit levy payers directly.   |
| Red meat levy collection and distribution | The Board has met and discussed the collection and distribution of red meat levies, with representatives involved in cross-border meetings with levy bodies in Scotland and Wales. The Board has agreed to review these aspects further in conjunction with the requirements of AHDB's Statutory Instrument. |

The Accounting Officer and Director of FABS & HR attend Board meetings, with other members of the Executive team and senior staff 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 involves 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 following each Board meeting. These are reviewed and followed up by the Chair. The process for assessing Board effectiveness includes completion of a Board Effectiveness review document (based on a National Audit Office (NAO) template) by all Board members. The results of the 2014/15 exercise have been reviewed and a number of areas identified by the Board for further action, including maintaining a strategic focus, and providing better and more visible leadership for the organisation. The Board considers that it has complied with the Corporate Governance Code in so far as it applies to externally funded Arm's Length Bodies (ALBs).

There was a significant change in Board membership on 1 April 2015, when three new Sector Chairs and one new Independent Board member were appointed. With the exception of Will Lifford (Independent and Chair of ARAC), the whole Board will have changed on or since 1 April 2014. Also, as already noted, I became Chief Executive and Accounting Officer on 1 February 2015. The benefit of having the opportunity for fresh thinking is significant, but the loss of so much experience of the organisation in a short space of time is a risk that has been assessed by management and by the Chairman, and taken into account in the management and leadership of AHDB. In particular, a much more extensive induction has been provided for the new members, both in the context of the organisation's activities and its governance arrangements. The new Board members were appointed at a relatively early stage which enabled them to integrate through a period of overlap with the outgoing Board members before formally taking office. Two of the new Sector Chairs have served in the past as Sector Board members and so bring some experience of AHDB with them.

#### Audit and Risk Assurance Committee

Membership of the ARAC is detailed on page 5. Meeting attendance is covered in the table on page 26.

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

The 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. Ensured that significant findings and recommendations made by the external auditors are received and discussed on a timely basis and that management responded to recommendations made by the external auditors.

### **Remuneration and Nominations Committee**

Membership of the Remuneration and Nominations Committee is detailed on page 5, and attendance is recorded in the table on page 26. The Committee is chaired by an Independent Non-executive Director from AHDB and includes three sector chairs from the Board, and the AHDB Chairman. During 2014/15, 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

During 2014/15, the Committee continued to recruit to the sector boards against the ongoing phased programme of rotation. There were four vacancies to be filled, covering all Divisions. The vacancies were advertised in national newspapers and specific industry journals and 16

application packs were sent out, 11 interviews were held and all of the four posts were successfully appointed.

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

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

### **Internal audit**

AHDB's internal audit function is outsourced to KPMG, as part of its contractual arrangement with Defra. AHDB is allocated 75 days per year of KPMG'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. KPMG's agreed work plan is derived from AHDB's assessment and evaluation of risks and is formed with reference to the risk register in its annual review of Risk in December. KPMG's annual internal audit report for 2014/15 gave the second highest rating of "Moderate Assurance" for AHDB.

The internal audit strategy for AHDB is set annually and approved by the ARAC. The strategy takes into account that a proportion of the 75 days' allocation is used to follow up recommendations made in previous years' audits.

During 2014/15, other areas covered by internal audits included Market Intelligence, Trade Development, Data Protection, IT Systems, Sustainability and Implementation of IT Strategy. Points of note were that the audit of Core Financial Systems received a "Substantial Assurance" classification. Data Protection, Market Intelligence and the IT Strategy review each received "Limited Assurance" classifications. In total there were three "high" priority recommendations received. Management undertook to implement the required actions and some of these were in place before the end of the financial year. The audit also identified a number of areas of good practice that were already in place. The Market Intelligence audit also included seven recommendations, two of which were in relation to the governance structure of the organisation and how the function interacts and operates within it. These areas will be addressed within the strategic review of AHDB during 2015/16.

### **Significant internal control issues**

No significant internal control issues were brought forward from 2013/14 and no new ones were raised in 2014/15.

**Jane King**  
**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 2015 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 and to identify any information that is apparently materially incorrect based on, or materially inconsistent with, the knowledge acquired by me in the course of performing the audit. 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 2015 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 other information given in the sections of the Annual Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

## Matters on which I report by exception

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

- adequate accounting records have not been kept or 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.

**Sir Amyas C E Morse**  
**Comptroller and Auditor General**  
**National Audit Office**  
157-197 Buckingham Palace Road  
Victoria, London SW1W 9SP

15 June 2015

## Consolidated statement of comprehensive income for the year ended 31 March 2015

|  | Note | For the year ended<br>31-Mar-15<br>£'000 | For the year ended<br>31-Mar-14<br>£'000 |
|--|------|--|--|
| <b>Income</b>  |      |  |  |
| Gross levy   | 2    | 57,435                                   | 54,075                                   |
| Non-levy sources   | 2    | 9,311                                    | 9,560                                    |
| <b>Total income</b>  |      | <b>66,746</b>                            | <b>63,635</b>                            |
| <b>Operating expenditure</b>                                       |      |  |  |
| <b>Levy collection</b>   |      |  |  |
| Staff costs  | 2, 3 | (439)                                    | (377)                                    |
| Other costs  | 2, 5 | (948)                                    | (913)                                    |
| <b>Core strategic activities</b>                                   |      |  |  |
| Staff costs  | 2, 3 | (20,081)                                 | (19,796)                                 |
| Other costs  | 2, 5 | (42,663)                                 | (42,156)                                 |
| Current pension service cost                                       | 18d  | (1,074)                                  | (1,286)                                  |
| Past pension service cost  | 18d  | -  | -  |
| <b>Total operating expenditure</b>                                 |      | <b>(65,205)</b>                          | <b>(64,528)</b>                          |
| <b>Surplus on ordinary activities before interest and taxation</b> |      | <b>1,541</b>                             | <b>(893)</b>                             |
| Interest receivable  |      | 21                                       | 190                                      |
| Other finance income relating to pension schemes                   | 18d  | 554                                      | 345                                      |
| <b>Surplus on ordinary activities before taxation</b>              |      | <b>2,116</b>                             | <b>(358)</b>                             |
| Taxation   | 6    | -  | (12)                                     |
| <b>Surplus for the financial year</b>                              |      | <b>2,116</b>                             | <b>(370)</b>                             |
| <b>Other comprehensive income</b>                                  |      |  |  |
| Surplus for the financial year                                     |      | 2,116                                    | (370)                                    |
| Net gain/(loss) on revaluation of property, plant and equipment    |      | -  | 61                                       |
| Net gain/(loss) on revaluation of pension assets and liabilities   | 18d  | (1,862)                                  | 3,088                                    |
| <b>Total comprehensive income/(expenditure)</b>                    |      | <b>254</b>                               | <b>2,779</b>                             |

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

Note:

These accounts incorporate movements in pension scheme assets and liabilities which do not form part of the reserves available for levy-payer delivery activities. Those pension scheme assets recognised in AHDB's accounts reduced by £1.8 million in 2014/15. The "Surplus for the Financial Year" of £2.116 million disclosed above represents the trading surplus from levy and commercial operations in the year.

The notes on pages 38 to 62 are an integral part of these consolidated financial statements.

## Consolidated statement of financial position as at 31 March 2015

|   | Note | As at 31-Mar-15 |                 | As at 31-Mar-14 |          |
|---|------|-----------------|-----------------|-----------------|----------|
|   |      | £'000           | £'000           | £'000           | £'000    |
| <b>Non-current assets</b>                         |      |                 |                 |                 |          |
| Property, plant and equipment                     | 7    | 2,617           |                 | 1,169           |          |
| Pension asset                                     | 18e  | 7,683           |                 | 9,700           |          |
| <b>Total non-current assets</b>                   |      |                 | <b>10,300</b>   |                 | 10,869   |
| <b>Current assets</b>                             |      |                 |                 |                 |          |
| Inventories                                       |      | 8               |                 | 16              |          |
| Trade and other receivables                       | 10   | 10,463          |                 | 10,104          |          |
| Cash at bank and in hand                          | 11   | 20,050          |                 | 19,182          |          |
| <b>Total current assets</b>                       |      |                 | <b>30,521</b>   |                 | 29,302   |
| <b>Total assets</b>                               |      |                 | <b>40,821</b>   |                 | 40,171   |
| <b>Current liabilities</b>                        |      |                 |                 |                 |          |
| Trade and other payables                          | 12   | (11,293)        |                 | (10,393)        |          |
| <b>Total current liabilities</b>                  |      |                 | <b>(11,293)</b> |                 | (10,393) |
| <b>Non-current assets plus net current assets</b> |      |                 | <b>29,528</b>   |                 | 29,778   |
| <b>Non-current liabilities</b>                    |      |                 |                 |                 |          |
| Provisions  | 13   | -               |                 | (352)           |          |
| Pension liability                                 | 18e  | -               |                 | (152)           |          |
| <b>Total non-current liabilities</b>              |      |                 | <b>-</b>        |                 | (504)    |
| <b>Net assets</b>                                 |      |                 | <b>29,528</b>   |                 | 29,274   |
| <b>Reserves</b>                                   |      |                 |                 |                 |          |
| Accumulated funds                                 |      |                 | 21,758          |                 | 19,639   |
| Total pension reserve                             |      |                 | 7,683           |                 | 9,548    |
| Revaluation reserve                               |      |                 | 87              |                 | 87       |
| <b>Total reserves</b>                             |      |                 | <b>29,528</b>   |                 | 29,274   |

The financial statements on pages 30 to 62 were approved by the AHDB Board and signed on its behalf by:

Peter Kendall  
Chair

Jane King  
Chief Executive and Accounting Officer

2 June 2015

## AHDB statement of financial position as at 31 March 2015

|   | Note | As at 31-Mar-15 |                 | As at 31-Mar-14 |         |
|---|------|-----------------|-----------------|-----------------|---------|
|   |      | £'000           | £'000           | £'000           | £'000   |
| <b>Non-current assets</b>                         |      |                 |                 |                 |         |
| Property, plant and equipment                     | 8    | 1,977           |                 | 518             |         |
| Investments                                       | 9    | 640             |                 | 650             |         |
| Pension asset                                     | 18e  | 7,683           |                 | 9,700           |         |
| <b>Total non-current assets</b>                   |      |                 | <b>10,300</b>   |                 | 10,868  |
| <b>Current assets</b>                             |      |                 |                 |                 |         |
| Trade and other receivables                       | 10   | 9,911           |                 | 9,507           |         |
| Cash at bank and in hand                          | 11   | 18,973          |                 | 18,239          |         |
| <b>Total current assets</b>                       |      |                 | <b>28,884</b>   |                 | 27,746  |
| <b>Total assets</b>                               |      |                 | <b>39,184</b>   |                 | 38,614  |
| <b>Current liabilities</b>                        |      |                 |                 |                 |         |
| Trade and other payables                          | 12   | (10,722)        |                 | (9,856)         |         |
| <b>Total current liabilities</b>                  |      |                 | <b>(10,722)</b> |                 | (9,856) |
| <b>Non-current assets plus net current assets</b> |      |                 | <b>28,462</b>   |                 | 28,758  |
| <b>Non-current liabilities</b>                    |      |                 |                 |                 |         |
| Provisions  | 13   | -               |                 | (352)           |         |
| Pension liability                                 | 18e  | -               |                 | (152)           |         |
| <b>Total non-current liabilities</b>              |      |                 | <b>-</b>        |                 | (504)   |
| <b>Net assets</b>                                 |      |                 | <b>28,462</b>   |                 | 28,254  |
| <b>Reserves</b>                                   |      |                 |                 |                 |         |
| Accumulated funds                                 |      |                 | 20,779          |                 | 18,706  |
| Total pension reserve                             |      |                 | 7,683           |                 | 9,548   |
| <b>Total reserves</b>                             |      |                 | <b>28,462</b>   |                 | 28,254  |

The financial statements on pages 30 to 62 were approved by the AHDB Board and signed on its behalf by:

Peter Kendall  
Chair

Jane King  
Chief Executive and Accounting Officer

2 June 2015



## Consolidated statement of movement in reserves for the year ended 31 March 2015

|                                    | Note | Accumulated<br>reserve<br>£'000 | Pension<br>reserve<br>£'000 | Revaluation<br>reserve<br>£'000 | Total<br>reserves<br>£'000 |
|------------------------------------|------|---------------------------------|-----------------------------|---------------------------------|----------------------------|
| Balance at 1 April 2013            |      | 18,398                          | 6,884                       | 1,213                           | 26,495                     |
| Surplus for the year               | 2b   | (370)                           | -                           | -                               | (370)                      |
| Pension gain/(loss)                | 18d  | -                               | 3,088                       | -                               | 3,088                      |
| Net gain on revaluation            | 9    | -                               | -                           | 61                              | 61                         |
| Other comprehensive income         |      | -                               | 3,088                       | 61                              | 3,149                      |
| Transfers from pensions reserve    |      | 424                             | (424)                       | -                               | -                          |
| Transfers from revaluation reserve |      | 1,187                           | -                           | (1,187)                         | -                          |
| <b>Balance as at 31 March 2014</b> |      | <b>19,639</b>                   | <b>9,548</b>                | <b>87</b>                       | <b>29,274</b>              |
| Surplus for the year               | 2a   | 2,116                           | -                           | -                               | 2,116                      |
| Pension gain/(loss)                | 18d  | -                               | (1,862)                     | -                               | (1,862)                    |
| Other comprehensive income         |      | -                               | (1,862)                     | -                               | (1,862)                    |
| Transfers from pensions reserve    |      | 3                               | (3)                         | -                               | -                          |
| <b>Balance as at 31 March 2015</b> |      | <b>21,758</b>                   | <b>7,683</b>                | <b>87</b>                       | <b>29,528</b>              |

Reserves are allocated to the reporting segments as listed below:

|                |  |               |              |           |               |
|----------------|--|---------------|--------------|-----------|---------------|
| BPEX           |  | 5,246         | 2,533        | -         | 7,779         |
| DairyCo        |  | 2,309         | -            | -         | 2,309         |
| EBLEX          |  | 4,213         | 5,067        | -         | 9,280         |
| HDC            |  | 4,765         | -            | -         | 4,765         |
| HGCA           |  | 3,458         | 83           | -         | 3,541         |
| Potato Council |  | 1,767         | -            | 87        | 1,854         |
| <b>Total</b>   |  | <b>21,758</b> | <b>7,683</b> | <b>87</b> | <b>29,528</b> |

Explanatory notes:

### Pension reserve

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

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

## AHDB statement of movement in reserves for the year ended 31 March 2015

|                                    | Accumulated<br>reserve<br>£'000 | Pension<br>reserve<br>£'000 | Revaluation<br>reserve<br>£'000 | Total<br>reserves<br>£'000 |
|------------------------------------|---------------------------------|-----------------------------|---------------------------------|----------------------------|
| Balance at 1 April 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 from pensions reserve    | 424                             | (424)                       | -                               | -                          |
| Transfers from revaluation reserve | 1,187                           | -                           | (1,187)                         | -                          |
| <b>Balance as at 31 March 2014</b> | <b>18,706</b>                   | <b>9,548</b>                | <b>-</b>                        | <b>28,254</b>              |
| Surplus for the year               | 2,070                           | -                           | -                               | 2,070                      |
| Pension (loss)                     | -                               | (1,862)                     | -                               | (1,862)                    |
| Other comprehensive income         | -                               | (1,862)                     | -                               | (1,862)                    |
| Transfers from pensions reserve    | 3                               | (3)                         | -                               | -                          |
| <b>Balance as at 31 March 2015</b> | <b>20,779</b>                   | <b>7,683</b>                | <b>-</b>                        | <b>28,462</b>              |

Reserves are allocated to the reporting segments as detailed below:

|                |               |              |          |               |
|----------------|---------------|--------------|----------|---------------|
| BPEX           | 4,893         | 2,533        | -        | 7,426         |
| DairyCo        | 2,309         | -            | -        | 2,309         |
| EBLEX          | 3,502         | 5,067        | -        | 8,569         |
| HDC            | 4,765         | -            | -        | 4,765         |
| HGCA           | 3,458         | 83           | -        | 3,541         |
| Potato Council | 1,852         | -            | -        | 1,852         |
| <b>Total</b>   | <b>20,779</b> | <b>7,683</b> | <b>-</b> | <b>28,462</b> |

## Consolidated cash flow statement for the year ended 31 March 2015

|  | Note | For the year<br>ended<br>31-Mar-15<br>£'000 | For the year<br>ended<br>31-Mar-14<br>£'000 |
|--|------|---|---|
| <b>Cash flows from operating activities</b>                    |      |   |   |
| Surplus on ordinary activities before taxation                 | 2a   | 2,116                                       | (358)                                       |
| <b>Adjustments for:</b>  |      |   |   |
| Interest receivable  |      | (21)  | (190)                                       |
| Depreciation and amortisation                                  | 7    | 138   | 98  |
| Current pension service cost                                   | 18d  | 1,074                                       | 1,286                                       |
| Other finance income   | 18d  | (554)                                       | (345)                                       |
| (Surplus)/Deficit on disposal of property, plant and equipment |      | -   | (330)                                       |
| (Increase)/decrease in inventories                             |      | 8   | (3)   |
| (Increase)/decrease in trade and other receivables             | 10   | (359)                                       | 385   |
| Increase/(decrease) in trade and other payables                | 12   | 900   | (3,051)                                     |
| (Decrease) in provisions                                       | 13   | (352)                                       | 118   |
| Tax paid   |      | -   | (12)  |
| Defined benefit scheme pension contributions paid              | 18e  | (517)                                       | (517)                                       |
| <b>Cash flows from operating activities</b>                    |      | <b>2,433</b>                                | <b>(2,919)</b>                              |
| <b>Cash flows from investing activities</b>                    |      |   |   |
| Interest received  |      | 21  | 190   |
| Payments to acquire property, plant and equipment              | 7    | (1,586)                                     | (319)                                       |
| Receipts from sale of property, plant and equipment            |      | -   | 1,485                                       |
| <b>Cash flows from investing activities</b>                    |      | <b>(1,565)</b>                              | <b>1,356</b>                                |
| <b>Increase/(decrease) in cash and cash equivalents</b>        |      | <b>868</b>                                  | <b>(1,563)</b>                              |
| Balance at 1 April   |      | 19,182                                      | 20,745                                      |
| Net change in cash and cash equivalents                        |      | 868   | (1,563)                                     |
| <b>Balance at 31 March</b>                                     | 11   | <b>20,050</b>                               | <b>19,182</b>                               |

## AHDB cash flow statement

for the year ended 31 March 2015

|  | For the year<br>ended<br>31-Mar-15<br>£'000 | For the year<br>ended<br>31-Mar-14<br>£'000 |
|--|---|---|
| <b>Cash flows from operating activities</b>                    |   |   |
| Surplus on ordinary activities before taxation                 | 2,070                                       | (274)                                       |
| <b>Adjustments for:</b>  |   |   |
| Interest receivable  | (19)  | (168)                                       |
| Depreciation and amortisation                                  | 128   | 76  |
| Depreciation of asset held in investment                       | 10  | -   |
| Current pension service cost                                   | 1,074                                       | 1,286                                       |
| Other finance income   | (554)                                       | (345)                                       |
| (Surplus)/deficit on disposal of property, plant and equipment | -   | (330)                                       |
| (Increase)/decrease in trade and other receivables             | (404)                                       | 233   |
| Increase/(decrease) in trade and other payables                | 866   | (2,498)                                     |
| (Decrease) in provisions                                       | (352)                                       | 118   |
| Tax paid   | -   | 0   |
| Defined benefit scheme pension contributions paid              | (517)                                       | (517)                                       |
| <b>Cash flows from operating activities</b>                    | <b>2,301</b>                                | <b>(2,417)</b>                              |
| <b>Cash flows from investing activities</b>                    |   |   |
| Interest received  | 19  | 168   |
| Payments to acquire property, plant and equipment              | (1,586)                                     | (319)                                       |
| Receipts from sale of property, plant and equipment            | -   | 1,485                                       |
| <b>Cash flows from investing activities</b>                    | <b>(1,567)</b>                              | <b>1,334</b>                                |
|  |   |   |
| <b>Increase/(decrease) in cash</b>                             | <b>734</b>                                  | <b>(1,083)</b>                              |
| Balance at 1 April   | 18,239                                      | 19,322                                      |
| Net change in cash and cash equivalents                        | 734   | (1,083)                                     |
| <b>Balance at 31 March</b>                                     | <b>18,973</b>                               | <b>18,239</b>                               |

# Notes to the financial statements

## 1. Principal accounting policies

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

Where the FRoM permits a choice of accounting policy, the accounting policy which is judged to be most appropriate to the particular circumstances of the NDPB for the purpose of giving a true and fair view has been selected. The particular policies adopted by the NDPB are described below. They have been applied consistently in dealing with items that are considered material to the accounts.

Amendments to the FRoM currently known, issued and to be implemented in future years, have been considered and are not expected to impact on AHDB's financial statements for the year ended 31 March 2016.

### Going concern

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 last 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, scheduled to take place in 2016.

### 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'.

### 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 9.

### 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 2015 and the external and regulatory environments in which AHDB operates. The business segments are BPEX, DairyCo, EBLEX, HDC, HGCA and Potato Council. 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 improvements: 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 18 to the accounts.

#### b) Defined contribution schemes

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

# Notes to the financial statements

## 1. Principal accounting policies (continued)

### Levy income

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

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

A 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 2015

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<br>division<br>£'000 | DairyCo<br>division<br>£'000 | EBLEX<br>division<br>£'000 | HDC<br>division<br>£'000 | HGCA<br>division<br>£'000 | Potato<br>Council<br>division<br>£'000 | AHDB<br>Group<br>total<br>£'000 |
|--|---------------------------|------------------------------|----------------------------|--------------------------|---------------------------|--|---------------------------------|
| <b>Income</b>                                      |                           |                              |                            |                          |                           |  |                                 |
| Gross levy   | 9,023                     | 7,373                        | 15,773                     | 6,872                    | 12,507                    | 5,887                                  | 57,435                          |
| <i>Non-levy sources:</i>                           |                           |                              |                            |                          |                           |  |                                 |
| Fee and grant income                               | 502                       | 603                          | 2,094                      | 556                      | 348                       | 678                                    | 4,781                           |
| Commercial services income                         | 1,510                     | -                            | 3,020                      | -                        | -                         | -                                      | 4,530                           |
| <i>Sub-total non-levy sources</i>                  | 2,012                     | 603                          | 5,114                      | 556                      | 348                       | 678                                    | 9,311                           |
| <b>Total income</b>                                | <b>11,035</b>             | <b>7,976</b>                 | <b>20,887</b>              | <b>7,428</b>             | <b>12,855</b>             | <b>6,565</b>                           | <b>66,746</b>                   |
| <b>Operating expenditure</b>                       |                           |                              |                            |                          |                           |  |                                 |
| Levy collection                                    | (168)                     | (34)                         | (281)                      | (102)                    | (531)                     | (271)                                  | (1,387)                         |
| <i>Core strategic activities:</i>                  |                           |                              |                            |                          |                           |  |                                 |
| Research and development<br>and knowledge transfer | (2,599)                   | (4,884)                      | (3,633)                    | (5,148)                  | (5,324)                   | (2,872)                                | (24,460)                        |
| Trade Development                                  | (3,001)                   | (426)                        | (5,388)                    | -                        | (871)                     | (1,260)                                | (10,946)                        |
| Export Development                                 | (482)                     | -                            | (3,468)                    | -                        | (351)                     | (133)                                  | (4,434)                         |
| Supply chain integration                           | -                         | -                            | (881)                      | -                        | (859)                     | (193)                                  | (1,933)                         |
| Market Intelligence                                | (736)                     | (666)                        | (1,690)                    | (51)                     | (941)                     | (451)                                  | (4,535)                         |
| Communications                                     | (572)                     | (938)                        | (600)                      | (1,348)                  | (1,478)                   | (397)                                  | (5,333)                         |
| Support  | (877)                     | (1,223)                      | (1,057)                    | (751)                    | (1,739)                   | (971)                                  | (6,618)                         |
| Commercial services                                | (1,495)                   | -                            | (2,990)                    | -                        | -                         | -                                      | (4,485)                         |
| <i>Sub-total core strategic<br/>activities:</i>    | (9,762)                   | (8,137)                      | (19,707)                   | (7,298)                  | (11,563)                  | (6,277)                                | (62,744)                        |
| Current pension service cost                       | (333)                     | -                            | (667)                      | -                        | (74)                      | -                                      | (1,074)                         |
| Past pension service cost                          | -                         | -                            | -                          | -                        | -                         | -                                      | -                               |
| <b>Total operating expenditure</b>                 | <b>(10,263)</b>           | <b>(8,171)</b>               | <b>(20,655)</b>            | <b>(7,400)</b>           | <b>(12,168)</b>           | <b>(6,548)</b>                         | <b>(65,205)</b>                 |

## Notes to the financial statements

### 2a. Analysis of income and expenditure by segment: actual for the year ended 31 March 2015 (continued)

|  | BPEX<br>division<br>£'000 | DairyCo<br>division<br>£'000 | EBLEX<br>division<br>£'000 | HDC<br>division<br>£'000 | HGCA<br>division<br>£'000 | Potato<br>Council<br>division<br>£'000 | AHDB<br>Group<br>total<br>£'000 |
|--|---------------------------|------------------------------|----------------------------|--------------------------|---------------------------|--|---------------------------------|
| <b>Surplus on ordinary activities before interest and taxation</b> | 772                       | (195)                        | 232                        | 28                       | 687                       | 17                                     | 1,541                           |
| Interest receivable  | 5                         | 5                            | 4                          | 3                        | 2                         | 2                                      | 21                              |
| Other finance income   | 167                       | -                            | 333                        | -                        | 54                        | -                                      | 554                             |
| <b>Surplus on ordinary activities before taxation</b>              | 944                       | (190)                        | 569                        | 31                       | 743                       | 19                                     | 2,116                           |
| Taxation   | -                         | -                            | -                          | -                        | -                         | -                                      | -                               |
| <b>Surplus for the financial year</b>                              | 944                       | (190)                        | 569                        | 31                       | 743                       | 19                                     | 2,116                           |
| Net gain/(loss) on revaluation of property, plant and equipment    | -                         | -                            | -                          | -                        | -                         | -                                      | -                               |
| Net gain/(loss) on revaluation of pension assets and liabilities   | (667)                     | -                            | (1,333)                    | -                        | 138                       | -                                      | (1,862)                         |
| <b>Total comprehensive income/(expenditure)</b>                    | 277                       | (190)                        | (764)                      | 31                       | 881                       | 19                                     | 254                             |

#### 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<br>division<br>£'000 | DairyCo<br>division<br>£'000 | EBLEX<br>division<br>£'000 | HDC<br>division<br>£'000 | HGCA<br>division<br>£'000 | Potato<br>Council<br>division<br>£'000 | AHDB<br>Group<br>total<br>£'000 |
|--|---------------------------|------------------------------|----------------------------|--------------------------|---------------------------|--|---------------------------------|
| Total comprehensive income/(expenditure)         | 277                       | (190)                        | (764)                      | 31                       | 881                       | 19                                     | 254                             |
| Movement on Pension Asset/Liability              | 699                       | -                            | 1,402                      | -                        | (235)                     | -                                      | 1,866                           |
| <b>Underlying surplus for the financial year</b> | 976                       | (190)                        | 638                        | 31                       | 646                       | 19                                     | 2,120                           |



## Notes to the financial statements

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

|  | BPEX<br>division<br>£'000 | DairyCo<br>division<br>£'000 | EBLEX<br>division<br>£'000 | HDC<br>division<br>£'000 | HGCA<br>division<br>£'000 | Potato<br>Council<br>division<br>£'000 | AHDB<br>Group<br>total<br>£'000 |
|--|---------------------------|------------------------------|----------------------------|--------------------------|---------------------------|--|---------------------------------|
| <b>Income</b>                                      |                           |                              |                            |                          |                           |  |                                 |
| 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>Sub-total non-levy sources</i>                  | 2,110                     | 1,015                        | 4,702                      | 535                      | 428                       | 770                                    | 9,560                           |
| <b>Total income</b>                                | <b>10,845</b>             | <b>7,977</b>                 | <b>20,077</b>              | <b>7,074</b>             | <b>10,862</b>             | <b>6,800</b>                           | <b>63,635</b>                   |
| <b>Operating expenditure</b>                       |                           |                              |                            |                          |                           |  |                                 |
| Levy collection                                    | (160)                     | (47)                         | (279)                      | (79)                     | (474)                     | (251)                                  | (1,290)                         |
| <i>Core strategic activities:</i>                  |                           |                              |                            |                          |                           |  |                                 |
| Research and development<br>and knowledge transfer | (2,690)                   | (5,119)                      | (3,102)                    | (4,208)                  | (5,054)                   | (3,053)                                | (23,226)                        |
| Trade Development                                  | (3,231)                   | (253)                        | (5,317)                    | -                        | (565)                     | (1,560)                                | (10,926)                        |
| Export Development                                 | (543)                     | -                            | (3,734)                    | -                        | (296)                     | (103)                                  | (4,676)                         |
| Supply chain integration                           | (270)                     | -                            | (851)                      | -                        | (907)                     | (162)                                  | (2,190)                         |
| Market Intelligence                                | (681)                     | (1,053)                      | (1,730)                    | (45)                     | (671)                     | (474)                                  | (4,654)                         |
| 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>Sub-total core strategic<br/>activities:</i>    | (10,446)                  | (8,680)                      | (19,557)                   | (6,385)                  | (10,654)                  | (6,230)                                | (61,952)                        |
| Current pension service cost                       | (400)                     | -                            | (800)                      | -                        | (86)                      | -                                      | (1,286)                         |
| Past pension service cost                          | -                         | -                            | -                          | -                        | -                         | -                                      | -                               |
| <b>Total operating expenditure</b>                 | <b>(11,006)</b>           | <b>(8,727)</b>               | <b>(20,636)</b>            | <b>(6,464)</b>           | <b>(11,214)</b>           | <b>(6,481)</b>                         | <b>(64,528)</b>                 |

## Notes to the financial statements

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

|  | BPEX<br>division<br>£'000 | DairyCo<br>division<br>£'000 | EBLEX<br>division<br>£'000 | HDC<br>division<br>£'000 | HGCA<br>division<br>£'000 | Potato<br>Council<br>division<br>£'000 | AHDB<br>Group<br>total<br>£'000 |
|--|---------------------------|------------------------------|----------------------------|--------------------------|---------------------------|--|---------------------------------|
| <b>Surplus on ordinary activities before interest and taxation</b> | (161)                     | (750)                        | (559)                      | 610                      | (352)                     | 319                                    | (893)                           |
| Interest receivable  | 40                        | 38                           | 46                         | 23                       | 26                        | 17                                     | 190                             |
| Other finance income   | 100                       | -                            | 200                        | -                        | 45                        | -                                      | 345                             |
| <b>Surplus on ordinary activities before taxation</b>              | (21)                      | (712)                        | (313)                      | 633                      | (281)                     | 336                                    | (358)                           |
| Taxation   | (4)                       | -                            | (8)                        | -                        | -                         | -                                      | (12)                            |
| <b>Surplus for the financial year</b>                              | (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                           |
| <b>Total comprehensive income/(expenditure)</b>                    | 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 9. 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<br>division<br>£'000 | DairyCo<br>division<br>£'000 | EBLEX<br>division<br>£'000 | HDC<br>division<br>£'000 | HGCA<br>division<br>£'000 | Potato<br>Council<br>division<br>£'000 | AHDB<br>Group<br>total<br>£'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)                         |
| <b>Underlying surplus for the financial year</b> | 141                       | (712)                        | 12                         | 633                      | (357)                     | 397                                    | 114                             |

## Notes to the financial statements

### 3. Staff numbers and related costs

|   | For the year ended 31 March 2015                |   |               | For the year ended 31 March 2014                |   |               |
|---|---|---|---------------|---|---|---------------|
|   | Staff with a permanent (UK) employment contract | Other staff engaged on the objectives of AHDB | Total staff   | Staff with a permanent (UK) employment contract | Other staff engaged on the objectives of AHDB | Total staff   |
| <b>Numbers employed</b>   |   |   |               |   |   |               |
| The average full-time equivalent numbers employed by AHDB during the year were: |   |   |               |   |   |               |
| Commercial activities   | 111   | 1   | 112           | 113   | 1   | 114           |
| Total levy-dependent activities   | 376   | 11  | 387           | 374   | 8   | 382           |
| <b>Total</b>  | <b>487</b>                                      | <b>12</b>                                     | <b>499</b>    | <b>487</b>                                      | <b>9</b>                                      | <b>496</b>    |
| <b>Staff costs</b>  | <b>£'000</b>                                    | <b>£'000</b>                                  | <b>£'000</b>  | <b>£'000</b>                                    | <b>£'000</b>                                  | <b>£'000</b>  |
| Salaries  | 17,411  | 319   | 17,730        | 17,269  | 272   | 17,541        |
| Social security costs   | 1,779   | -   | 1,779         | 1,739   | -   | 1,739         |
| Defined benefit scheme current service costs (Note 18d)                         | 1,074   | -   | 1,074         | 1,286   | -   | 1,286         |
| Defined benefit scheme past service costs (Note 18d)                            | -   | -   | -             | -   | -   | -             |
| Defined contribution scheme costs   | 1,011   | -   | 1,011         | 892   | -   | 892           |
| <b>Total staff costs</b>  | <b>21,275</b>                                   | <b>319</b>                                    | <b>21,594</b> | <b>21,186</b>                                   | <b>272</b>                                    | <b>21,458</b> |

### 4. Compensation and exit packages agreed for the year to 31 March 2015

| 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 March 2015  | For the year ended 31 March 2014 | For the year ended 31 March 2015  | For the year ended 31 March 2014 | For the year ended 31 March 2015           | For the year ended 31 March 2014 |
| < £10,000                     | 6                                 | 3                                | -                                 | 1                                | 6  | 4                                |
| £10,000 - £25,000             | -                                 | 2                                | -                                 | -                                | -  | 2                                |
| £25,000 - £50,000             | 1                                 | -                                | -                                 | -                                | 1  | -                                |
| £50,000 - £75,000             | 2                                 | 1                                | -                                 | -                                | 2  | 1                                |
| £75,000 - £150,000            | 1                                 | 2                                | -                                 | -                                | 1  | 2                                |
| Total number of exit packages | 10                                | 8                                | -                                 | 1                                | 10   | 9                                |
| <b>Total cost</b>             | <b>£263,039</b>                   | <b>£269,125</b>                  | <b>£0</b>                         | <b>£0</b>                        | <b>£263,039</b>                            | <b>£269,125</b>                  |

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 18, together with their emoluments and remuneration. One compulsory redundancy in the £50k – £75k band in the year ended 31 March 2014 related to a senior executive.

## Notes to the financial statements

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

|   | For the year<br>ended<br>31-Mar-15<br>£'000 | For the year<br>ended<br>31-Mar-14<br>£'000 |
|---|---|---|
| <b>Surplus/(deficit) on ordinary activities before interest and taxation is stated after charging/(crediting)</b> |   |   |
| Rentals under operating leases:   |   |   |
| - Leasehold property rents  | 558   | 559   |
| - Vehicle leases  | 740   | 698   |
| - Hire of equipment   | 113   | 146   |
| Research and development and knowledge transfer expenditure   | 24,460                                      | 23,226                                      |
| Exchange (gains)/losses   | -   | -   |
| Auditors remuneration and expenses  | 100   | 109   |
| <b>Non-cash items:</b>  |   |   |
| Depreciation and amortisation   | 138   | 98  |
| Profit/(loss) on disposal of property, plant and equipment  | -   | (330)                                       |
| Impairment of receivables   | (104)                                       | 45  |
| Provision provided for in year  | -   | 352   |

## Notes to the financial statements

### 6. Taxation

|   | For the year<br>ended<br>31-Mar-15<br>£'000 | For the year<br>ended<br>31-Mar-14<br>£'000 |
|---|---|---|
| <b>Current tax</b>                                      |   |   |
| UK corporation tax on commercial profits for the period | -   | -   |
| UK corporation tax on interest income for the period    | 5   | 44  |
| Under-provision in respect of prior years               | -   | 12  |
| Over-provision in respect of prior years                | (5)   | (44)  |
| <b>Current tax charge/(credit) for the year</b>         | -   | 12  |

The tax on commercial profits assessed for the year differs from the standard rate of corporation tax in the UK of 21%. The differences are explained below:

|  | For the year<br>ended<br>31-Mar-15<br>£'000 | For the year<br>ended<br>31-Mar-14<br>£'000 |
|--|---|---|
| Surplus on ordinary activities before taxation   | 1,252                                       | (358)                                       |
| Surplus on ordinary activities multiplied by standard rate of corporation tax in the UK of 21% (2014: 23%) | 263   | (82)  |
| <b>Effects of:</b>   |   |   |
| Income not chargeable for taxation purposes  | 13,065                                      | 13,444                                      |
| Expenditure not deductible for taxation purposes   | (12,802)                                    | (13,526)                                    |
| Standard rate of corporation tax in the UK of 21% (2014: 23%) on interest receivable                       | 5   | 44  |
| Under-provision in respect of prior years  | -   | 12  |
| Over-provision in respect of prior years   | (5)   | (44)  |
| <b>Current tax charge/(credit) for the year</b>  | -   | 12  |



# Notes to the financial statements

## 7. Property, plant and equipment

| Group                                     | Land<br>£'000 | Buildings<br>£'000 | Leasehold<br>improvements<br>£'000 | IT<br>equipment<br>£'000 | Plant and<br>machinery<br>£'000 | Fixtures<br>and fittings<br>£'000 | Motor<br>vehicles<br>£'000 | Total<br>£'000 |
|---|---------------|--------------------|------------------------------------|--------------------------|---------------------------------|-----------------------------------|----------------------------|----------------|
| <b>Cost or valuation</b>                  |               |                    |                                    |                          |                                 |                                   |                            |                |
| 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)        |
| <b>As at 31 March 2014</b>                | <b>140</b>    | <b>510</b>         | <b>242</b>                         | <b>824</b>               | <b>1,071</b>                    | <b>304</b>                        | <b>4</b>                   | <b>3,095</b>   |
| As at 1 April 2014                        | 140           | 510                | 242                                | 824                      | 1,071                           | 304                               | 4                          | 3,095          |
| Additions                                 | -             | -                  | 1,531                              | 43                       | 12                              | -                                 | -                          | 1,586          |
| Disposals                                 | -             | -                  | -                                  | (679)                    | (163)                           | (49)                              | -                          | (891)          |
| <b>As at 31 March 2015</b>                | <b>140</b>    | <b>510</b>         | <b>1,773</b>                       | <b>188</b>               | <b>920</b>                      | <b>255</b>                        | <b>4</b>                   | <b>3,790</b>   |
| <b>Depreciation</b>                       |               |                    |                                    |                          |                                 |                                   |                            |                |
| 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             |
| <b>As at 31 March 2014</b>                | <b>-</b>      | <b>-</b>           | <b>-</b>                           | <b>(777)</b>             | <b>(1,018)</b>                  | <b>(129)</b>                      | <b>(2)</b>                 | <b>(1,926)</b> |
| As at 1 April 2014                        | -             | -                  | -                                  | (777)                    | (1,018)                         | (129)                             | (2)                        | (1,926)        |
| Charge for year                           | -             | (10)               | (62)                               | (19)                     | (18)                            | (28)                              | (1)                        | (138)          |
| Relating to disposals                     | -             | -                  | -                                  | 679                      | 163                             | 49                                | -                          | 891            |
| <b>As at 31 March 2015</b>                | <b>-</b>      | <b>(10)</b>        | <b>(62)</b>                        | <b>(117)</b>             | <b>(873)</b>                    | <b>(108)</b>                      | <b>(3)</b>                 | <b>(1,173)</b> |
| <b>Net book value as at 31 March 2015</b> | <b>140</b>    | <b>500</b>         | <b>1,711</b>                       | <b>71</b>                | <b>47</b>                       | <b>147</b>                        | <b>1</b>                   | <b>2,617</b>   |
| Net book value as at 31 March 2014        | 140           | 510                | 242                                | 47                       | 53                              | 175                               | 2                          | 1,169          |

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 and £1,531k of Leasehold improvements additions in 2013/14 and 2014/15 are costs associated with the new AHDB headquarters being built at Stoneleigh Park, built by AHDB's landlord, LaSalle Investment Management. The premises are leased by AHDB and means that all its Stoneleigh-based staff are now located 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. 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 taken 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

## 8. Property, plant and equipment

| AHDB                                      | Land<br>£'000 | Buildings<br>£'000 | Leasehold<br>improvements<br>£'000 | IT<br>equipment<br>£'000 | Plant and<br>machinery<br>£'000 | Fixtures<br>and fittings<br>£'000 | Motor<br>vehicles<br>£'000 | Total<br>£'000 |
|---|---------------|--------------------|------------------------------------|--------------------------|---------------------------------|-----------------------------------|----------------------------|----------------|
| <b>Cost or valuation</b>                  |               |                    |                                    |                          |                                 |                                   |                            |                |
| 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)        |
| <b>As at 31 March 2014</b>                | <b>-</b>      | <b>-</b>           | <b>241</b>                         | <b>824</b>               | <b>220</b>                      | <b>301</b>                        | <b>4</b>                   | <b>1,590</b>   |
| As at 1 April 2014                        | -             | -                  | 241                                | 824                      | 220                             | 301                               | 4                          | 1,590          |
| Additions                                 | -             | -                  | 1,532                              | 43                       | 12                              | -                                 | -                          | 1,587          |
| Disposals                                 | -             | -                  | -                                  | (679)                    | (29)                            | (46)                              | -                          | (754)          |
| <b>As at 31 March 2015</b>                | <b>-</b>      | <b>-</b>           | <b>1,773</b>                       | <b>188</b>               | <b>203</b>                      | <b>255</b>                        | <b>4</b>                   | <b>2,423</b>   |
| <b>Depreciation</b>                       |               |                    |                                    |                          |                                 |                                   |                            |                |
| 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          |
| <b>As at 31 March 2014</b>                | <b>-</b>      | <b>-</b>           | <b>-</b>                           | <b>(777)</b>             | <b>(167)</b>                    | <b>(126)</b>                      | <b>(2)</b>                 | <b>(1,072)</b> |
| As at 1 April 2014                        | -             | -                  | -                                  | (777)                    | (167)                           | (126)                             | (2)                        | (1,072)        |
| Charge for year                           | -             | -                  | (62)                               | (19)                     | (18)                            | (28)                              | (1)                        | (128)          |
| Relating to disposals                     | -             | -                  | -                                  | 679                      | 29                              | 46                                | -                          | 754            |
| <b>As at 31 March 2015</b>                | <b>-</b>      | <b>-</b>           | <b>(62)</b>                        | <b>(117)</b>             | <b>(156)</b>                    | <b>(108)</b>                      | <b>(3)</b>                 | <b>(446)</b>   |
| <b>Net book value as at 31 March 2015</b> | <b>-</b>      | <b>-</b>           | <b>1,711</b>                       | <b>71</b>                | <b>47</b>                       | <b>147</b>                        | <b>1</b>                   | <b>1,977</b>   |
| Net book value as at 31 March 2014        | -             | -                  | 241                                | 47                       | 53                              | 175                               | 2                          | 518            |

# Notes to the financial statements

## 9. 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 deficit of £10k for the year ended 31 March 2015 (2014: surplus £41k). This relates to depreciation charged on buildings. Its net assets were £640k as at 31 March 2015 (31 March 2014: £650k). The property was last professionally revalued at £650k, as at 31 March 2014, based on its existing use.

|                         | <b>Group<br/>As at<br/>31-Mar-15<br/>£'000</b> | <b>AHDB<br/>As at<br/>31-Mar-15<br/>£'000</b> | <b>Group<br/>As at<br/>31-Mar-14<br/>£'000</b> | <b>AHDB<br/>As at<br/>31-Mar-14<br/>£'000</b> |
|-------------------------|--|---|--|---|
| AHDB investment in SBEU | -  | 640   | -  | 650   |

### Other subsidiary undertakings

#### Meat & Livestock Commercial Services Limited

Meat & Livestock Commercial Services Limited (MLCSL) is a company limited by guarantee, with AHDB acting as the sole guarantor. The extent of AHDB's investment is the guarantee of £6 in the event of MLCSL being wound up. MLCSL provides data, advice, logistics and inspection services to the red meat industry and is based 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 surplus of £48k for the year ended 31 March 2015 (2014: deficit £75k) and its net assets were £1.07 million as at 31 March 2015 (31 March 2014: £1.02 million).

This subsidiary undertaking is registered in England and Wales.

## Notes to the financial statements

### 10. Trade and other receivables

|  | Group<br>As at<br>31-Mar-15<br>£'000 | AHDB<br>As at<br>31-Mar-15<br>£'000 | Group<br>As at<br>31-Mar-14<br>£'000 | AHDB<br>As at<br>31-Mar-14<br>£'000 |
|--|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| <b>Amounts falling due within one year</b>       |                                      |                                     |                                      |                                     |
| Levy income receivable                           | 2,929                                | 2,929                               | 2,942                                | 2,942                               |
| Receivables for fee and other income             | 638                                  | 174                                 | 1,027                                | 454                                 |
| Provision for bad and doubtful debts             | (74)                                 | (74)                                | (184)                                | (183)                               |
| Prepayments and accrued income                   | 5,821                                | 5,790                               | 5,706                                | 5,687                               |
| Amounts owed by subsidiary undertakings          | -                                    | 28                                  | -                                    | -                                   |
| Balances with central government bodies          | 1,149                                | 1,064                               | 613                                  | 607                                 |
| <b>Total amounts falling due within one year</b> | <b>10,463</b>                        | <b>9,911</b>                        | <b>10,104</b>                        | <b>9,507</b>                        |

|                             | Group<br>As at<br>31-Mar-15<br>£'000 | AHDB<br>As at<br>31-Mar-15<br>£'000 | Group<br>As at<br>31-Mar-14<br>£'000 | AHDB<br>As at<br>31-Mar-14<br>£'000 |
|-----------------------------|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| <b>Receivables past due</b> |                                      |                                     |                                      |                                     |
| Up to 3 months past due     | 1,135                                | 1,054                               | 1,180                                | 1,004                               |
| 3 to 6 months past due      | 244                                  | 244                                 | 15                                   | 7                                   |
| Over 6 months past due      | 131                                  | 130                                 | 237                                  | 230                                 |
|                             | <b>1,510</b>                         | <b>1,428</b>                        | <b>1,432</b>                         | <b>1,241</b>                        |

### 11. Cash and cash equivalents

|   | Group<br>2014-15<br>£'000 | AHDB<br>2014-15<br>£'000 | Group<br>2013-14<br>£'000 | AHDB<br>2013-14<br>£'000 |
|---|---------------------------|--------------------------|---------------------------|--------------------------|
| Balance at 1 April                      | 19,182                    | 18,239                   | 20,745                    | 19,322                   |
| Net change in cash and cash equivalents | 868                       | 734                      | (1,563)                   | (1,083)                  |
| <b>Balance at 31 March</b>              | <b>20,050</b>             | <b>18,973</b>            | <b>19,182</b>             | <b>18,239</b>            |
| Balances at 31 March were:              |                           |                          |                           |                          |
| Short-term investment                   | 9,000                     | 9,000                    | -                         | -                        |
| Commercial banks and cash in hand       | 11,050                    | 9,973                    | 19,182                    | 18,239                   |
| <b>Balance at 31 March</b>              | <b>20,050</b>             | <b>18,973</b>            | <b>19,182</b>             | <b>18,239</b>            |

The short-term investment represents three separate funds of £3 million, placed on 6, 9 and 12 months deposits to mature 27 April, 27 July and 27 October 2015.

## Notes to the financial statements

### 12. Trade and other payables

|  | Group<br>As at<br>31-Mar-15<br>£'000 | AHDB<br>As at<br>31-Mar-15<br>£'000 | Group<br>As at<br>31-Mar-14<br>£'000 | AHDB<br>As at<br>31-Mar-14<br>£'000 |
|--|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| <b>Amounts falling due within one year</b>       |                                      |                                     |                                      |                                     |
| Trade payables                                   | 2,536                                | 2,524                               | 2,295                                | 2,283                               |
| Accruals and deferred income                     | 6,439                                | 6,151                               | 6,039                                | 5,940                               |
| Other payables                                   | 486                                  | 449                                 | 333                                  | 295                                 |
| Corporation tax                                  | -                                    | -                                   | -                                    | -                                   |
| VAT  | 914                                  | 717                                 | 867                                  | 688                                 |
| Other taxation and social security               | 508                                  | 438                                 | 503                                  | 430                                 |
| Amounts owed to subsidiary undertakings          | -                                    | -                                   | -                                    | 64                                  |
| Defra underwrite for redundancy*                 | 149                                  | -                                   | 200                                  | -                                   |
| Pig Industry Development Scheme Fund             | 76                                   | 76                                  | 75                                   | 75                                  |
| Other Defra Bodies                               | 185                                  | 367                                 | 81                                   | 81                                  |
| <b>Total amounts falling due within one year</b> | <b>11,293</b>                        | <b>10,722</b>                       | <b>10,393</b>                        | <b>9,856</b>                        |
| <b>Intra-government balances</b>                 |                                      |                                     |                                      |                                     |
| Balances with central government bodies          | 1,756                                | 1,522                               | 1,651                                | 1,199                               |

\* 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 2015 was £149k.

### 13. Provisions for liabilities and charges

The provision of £352k at 31 March 2014 related to the expected cost of exit payments arising from restructuring exercises in progress at that date. These were completed during the year and the provision was utilised and released in full.



## Notes to the financial statements

### 14. Financial commitments

|  | Group<br>As at<br>31-Mar-15<br>£'000 | AHDB<br>As at<br>31-Mar-15<br>£'000 | Group<br>As at<br>31-Mar-14<br>£'000 | AHDB<br>As at<br>31-Mar-14<br>£'000 |
|--|--------------------------------------|-------------------------------------|--------------------------------------|-------------------------------------|
| <b>Capital expenditure commitments</b>   |                                      |                                     |                                      |                                     |
| Contracted for   | 82                                   | 82                                  | 133                                  | 133                                 |
| <b>Approved research projects</b>  |                                      |                                     |                                      |                                     |
| Within one year  | 10,014                               | 10,014                              | 10,247                               | 10,247                              |
| Thereafter   | 9,751                                | 9,751                               | 10,717                               | 10,717                              |
|  | <b>19,765</b>                        | <b>19,765</b>                       | <b>20,964</b>                        | <b>20,964</b>                       |
| <b>Operating leases</b>  |                                      |                                     |                                      |                                     |
| As at 31 March, AHDB was committed to future minimum lease payments under non-cancellable operating leases for each of the following periods:- |                                      |                                     |                                      |                                     |
| <b>Property</b>  |                                      |                                     |                                      |                                     |
| Within one year  | 454                                  | 454                                 | 131                                  | 131                                 |
| Between two and five years   | 1,416                                | 1,416                               | 72                                   | 72                                  |
| Over five years  | -                                    | -                                   | -                                    | -                                   |
|  | <b>1,870</b>                         | <b>1,870</b>                        | <b>203</b>                           | <b>203</b>                          |
| <b>Vehicles</b>  |                                      |                                     |                                      |                                     |
| Within one year  | 508                                  | 463                                 | 560                                  | 507                                 |
| Between two and five years   | 631                                  | 596                                 | 650                                  | 620                                 |
|  | <b>1,139</b>                         | <b>1,059</b>                        | <b>1,210</b>                         | <b>1,127</b>                        |
| <b>Equipment</b>   |                                      |                                     |                                      |                                     |
| Within one year  | 24                                   | 24                                  | 25                                   | 25                                  |
| Between two and five years   | 56                                   | 56                                  | 3                                    | 3                                   |
|  | <b>80</b>                            | <b>80</b>                           | <b>28</b>                            | <b>28</b>                           |

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.

During the 2014/15 financial year, AHDB completed on new leasehold premises, occupied from October 2014.

# Notes to the financial statements

## 15. 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<br>As at<br>31-Mar-15<br>£'000 | Group<br>As at<br>31-Mar-15<br>£'000   | Group<br>As at<br>31-Mar-14<br>£'000 | Group<br>As at<br>31-Mar-14<br>£'000 |
|--------------------------------------|--------------------------------------|--|--------------------------------------|--------------------------------------|
|                                      | <b>Loans and<br/>receivables</b>     | <b>Other financial<br/>liabilities</b> | Loans and<br>receivables             | Other financial<br>liabilities       |
| <b>Trade receivables</b>             |                                      |  |                                      |                                      |
| Levy receivable                      | 2,855                                |  | 2,761                                |                                      |
| Receivables for fees                 | 638                                  |  | 1,024                                |                                      |
| Accrued income (less prepayments)    | 4,776                                |  | 4,362                                |                                      |
| Intra-government balances            | 1,149                                |  | 613                                  |                                      |
| <b>Cash and equivalents</b>          | <b>20,050</b>                        |  | 19,182                               |                                      |
| <b>Trade and other payables</b>      |                                      |  |                                      |                                      |
| Trade payables                       |                                      | 2,536                                  |                                      | 2,295                                |
| Accruals                             |                                      | 6,439                                  |                                      | 6,039                                |
| Pig Industry Development Scheme Fund |                                      | 76                                     |                                      | 75                                   |
| Intra-government balances            |                                      | 334                                    |                                      | 281                                  |
| Other                                |                                      | 486                                    |                                      | 333                                  |
| <b>Total</b>                         | <b>29,468</b>                        | <b>9,871</b>                           | 27,942                               | 9,023                                |

### 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

## 16. 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). AHDB had transactions with AFS of £267k excluding VAT (2013/14: £291k). At 31 March 2015, AHDB owed AFS £NIL (31 March 2014: £62k). Stewart Houston was a director of Scotland's Rural College (SRUC) until October 2014 with whom AHDB had transactions during the year up to that date of £113k excluding VAT. Ian Crute is a Trustee director of East Malling Research (EMR), with whom AHDB had transactions of £533k during the part of the financial year for which Ian was an AHDB Board member. At 31 March, AHDB owed East Malling Research £4k. Neil Bragg and Gary Taylor were members of the Board of the Horticulture Innovation Partnership (HIP) during the year. AHDB had transactions with HIP of £24k during the year and no balance was due at 31 March 2015. Neil Bragg was also a Director of Bulrush Horticulture Limited, with whom AHDB had transactions of £253 during the year. 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 24.

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 18.

## 17. Contingent liabilities

There were no contingent liabilities at 31 March 2015.

# Notes to the financial statements

## 18. Pensions

### 18a. 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 2015/16 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 2015, 65.1% 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. The recovery plan agreed between the HGCA Pension Plan Trustees and AHDB, concerning the funding of the deficit, specified contributions of £75k pa, payable monthly, for the period up to the next triennial actuarial review of the scheme. The employer's normal contributions to the scheme in 2015/16 are estimated at £42k.

# Notes to the financial statements

## 18. Pensions (continued)

### 18b. 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-15<br>% pa  | 31-Mar-14<br>% pa | 31-Mar-15<br>% pa   | 31-Mar-14<br>% pa |
| Price inflation                           | 2.0                | 2.5               | 2.0                 | 2.5               |
| Rate of increase in pay                   | 3.0                | 3.5               | 3.0                 | 3.5               |
| Rate of increase of pensions in payment*  | 2.1                | 2.5               | 2.1                 | 2.5               |
| Rate of increase for deferred pensioners* | 2.0                | 2.5               | 2.0                 | 2.5               |
| Discount rate                             | 3.2                | 4.3               | 3.2                 | 4.3               |

\* 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-15<br>years | 31-Mar-14<br>years | 31-Mar-15<br>years  | 31-Mar-14<br>years |
| Male currently aged 65   | 23.0               | 23.0               | 22.9                | 22.8               |
| Female currently aged 65 | 25.5               | 25.4               | 25.5                | 25.3               |
| Male currently aged 50   | 24.7               | 24.6               | 24.6                | 24.4               |
| Female currently aged 50 | 27.3               | 27.2               | 27.2                | 27.1               |

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 dependants, 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 7.7% in the MLC scheme, and by 10.1% 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% in the MLC scheme, and by 4.8% in the HGCA scheme.

If the assumption of growth in salaries, currently assumed to be 3.0%, were to be increased to 3.5%, liabilities would increase by 0.6%.



## Notes to the financial statements

### 18. Pensions (continued)

#### 18c. 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-15<br>% pa  | 31-Mar-14<br>% pa | 31-Mar-15<br>% pa   | 31-Mar-14<br>% pa |
| Equities                 | 34.8               | 34.1              | 38.1                | 38.5              |
| Gilts                    | -                  | -                 | 60.8                | 60.0              |
| Annuities                | -                  | -                 | 0.8                 | 0.9               |
| Cash                     | 0.1                | 0.1               | 0.3                 | 0.6               |
| Other - Insurance policy | 65.1               | 65.8              | -                   | -                 |

#### 18d. Components of defined benefit cost for the 12 months ended 31 March 2015

Analysis of amounts charged to statement of comprehensive income:

|   | MLC Pension Scheme                       |  | HGCA Pension Scheme                      |  | Total Pension Schemes                    |  |
|---|--|--|--|--|--|--|
|   | For the year ended<br>31-Mar-15<br>£'000 | For the year ended<br>31-Mar-14<br>£'000 | For the year ended<br>31-Mar-15<br>£'000 | For the year ended<br>31-Mar-14<br>£'000 | For the year ended<br>31-Mar-15<br>£'000 | For the year ended<br>31-Mar-14<br>£'000 |
| Current service cost  | (600)                                    | (600)                                    | (48)                                     | (57)                                     | (648)                                    | (657)                                    |
| Past service cost   | -  | -  | -  | -  | -  | -  |
| Administration costs  | (400)                                    | (600)                                    | (26)                                     | (29)                                     | (426)                                    | (629)                                    |
| Net interest on net defined benefit liability/(asset)       | 500                                      | 300                                      | 54                                       | 45                                       | 554                                      | 345                                      |
| <b>Total income/(expense) recognised in profit and loss</b> | <b>(500)</b>                             | <b>(900)</b>                             | <b>(20)</b>                              | <b>(41)</b>                              | <b>(520)</b>                             | <b>(941)</b>                             |

## Notes to the financial statements

### 18. Pensions (continued)

#### 18d. 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-15<br>£'000 | For the year ended 31-Mar-14<br>£'000 | For the year ended 31-Mar-15<br>£'000 | For the year ended 31-Mar-14<br>£'000 | For the year ended 31-Mar-15<br>£'000 | For the year ended 31-Mar-14<br>£'000 |
| Actuarial gains and (losses) on assets                               | 14,600                                | 1,500                                 | 4,445                                 | (756)                                 | 19,045                                | 744                                   |
| Experience gains and (losses) on liabilities                         | 3,600                                 | 1,700                                 | 158                                   | 561                                   | 3,758                                 | 2,261                                 |
| Gains (losses) from changes to assumptions                           | (20,700)                              | 2,200                                 | (2,361)                               | 322                                   | (23,061)                              | 2,522                                 |
| Change in irrecoverable surplus                                      | 500                                   | (2,300)                               | (2,104)                               | (139)                                 | (1,604)                               | (2,439)                               |
| <b>Total amount (charged)/credited in other comprehensive income</b> | <b>(2,000)</b>                        | <b>3,100</b>                          | <b>138</b>                            | <b>(12)</b>                           | <b>(1,862)</b>                        | <b>3,088</b>                          |

#### 18e. 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-15<br>£'000 | As at 31-Mar-14<br>£'000 | As at 31-Mar-15<br>£'000 | As at 31-Mar-14<br>£'000 | As at 31-Mar-15<br>£'000 | As at 31-Mar-14<br>£'000 |
| Present value of defined benefit obligation                                | (207,900)                | (192,500)                | (20,156)                 | (17,708)                 | (228,056)                | (210,208)                |
| Fair value of plan assets  | 217,400                  | 204,500                  | 23,700                   | 18,913                   | 241,100                  | 223,413                  |
| Surplus/(deficit) on Scheme  | 9,500                    | 12,000                   | 3,544                    | 1,205                    | 13,044                   | 13,205                   |
| Irrecoverable surplus (effect of asset ceiling)                            | (1,900)                  | (2,300)                  | (3,461)                  | (1,357)                  | (5,361)                  | (3,657)                  |
| <b>Net asset/(liability) recognised in Statement of Financial Position</b> | <b>7,600</b>             | <b>9,700</b>             | <b>83</b>                | <b>(152)</b>             | <b>7,683</b>             | <b>9,548</b>             |

# Notes to the financial statements

## 18. Pensions (continued)

### 18e. 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-15<br>£'000 | For the year ended 31-Mar-14<br>£'000 | For the year ended 31-Mar-15<br>£'000 | For the year ended 31-Mar-14<br>£'000 | For the year ended 31-Mar-15<br>£'000 | For the year ended 31-Mar-14<br>£'000 |
| Surplus/(deficit) in the Scheme at start of year      | 9,700                                 | 7,100                                 | (152)                                 | (216)                                 | 9,548                                 | 6,884                                 |
| Contributions paid                                    | 400                                   | 400                                   | 117                                   | 117                                   | 517                                   | 517                                   |
| Current service cost                                  | (600)                                 | (600)                                 | (48)                                  | (57)                                  | (648)                                 | (657)                                 |
| Past service cost                                     | -                                     | -                                     | -                                     | -                                     | -                                     | -                                     |
| Net interest on net defined benefit (asset)/liability | 500                                   | 300                                   | 54                                    | 45                                    | 554                                   | 345                                   |
| Administration costs                                  | (400)                                 | (600)                                 | (26)                                  | (29)                                  | (426)                                 | (629)                                 |
| Actuarial (loss)/gain                                 | (2,000)                               | 3,100                                 | 138                                   | (12)                                  | (1,862)                               | 3,088                                 |
| Surplus/(deficit) in the Scheme at end of year        | 7,600                                 | 9,700                                 | 83                                    | (152)                                 | 7,683                                 | 9,548                                 |

For the HGCA Pension Scheme, the contributions paid for the year ended 31 March 2015 of £117k (2014: £117k) include the additional Scheme augmentation component of £75k (2014: £75k) referred to in 20a.

### 18f. 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-15<br>£'000 | For the year ended 31-Mar-14<br>£'000 | For the year ended 31-Mar-15<br>£'000 | For the year ended 31-Mar-14<br>£'000 | For the year ended 31-Mar-15<br>£'000 | For the year ended 31-Mar-14<br>£'000 |
| Balance at 1 April                                  | (192,500)                             | (198,000)                             | (17,708)                              | (18,286)                              | (210,208)                             | (216,286)                             |
| Current service cost                                | (600)                                 | (600)                                 | (48)                                  | (57)                                  | (648)                                 | (657)                                 |
| Interest cost                                       | (8,000)                               | (8,100)                               | (750)                                 | (757)                                 | (8,750)                               | (8,857)                               |
| Contributions by plan participants                  | (200)                                 | (200)                                 | (16)                                  | (16)                                  | (216)                                 | (216)                                 |
| Actuarial gains/(losses) on experience              | 3,600                                 | 1,700                                 | 158                                   | 561                                   | 3,758                                 | 2,261                                 |
| Actuarial gains/(losses) on demographic assumptions | -                                     | -                                     | -                                     | -                                     | -                                     | -                                     |
| Actuarial gains/(losses) on financial assumptions   | (20,700)                              | 2,200                                 | (2,361)                               | 322                                   | (23,061)                              | 2,522                                 |
| Benefits paid                                       | 10,500                                | 10,500                                | 569                                   | 525                                   | 11,069                                | 11,025                                |
| Past service cost                                   | -                                     | -                                     | -                                     | -                                     | -                                     | -                                     |
| Scheme liabilities at end of year                   | (207,900)                             | (192,500)                             | (20,156)                              | (17,708)                              | (228,056)                             | (210,208)                             |

# Notes to the financial statements

## 18. Pensions (continued)

### 18f. 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-15<br>£'000 | For the year ended 31-Mar-14<br>£'000 | For the year ended 31-Mar-15<br>£'000 | For the year ended 31-Mar-14<br>£'000 | For the year ended 31-Mar-15<br>£'000 | For the year ended 31-Mar-14<br>£'000 |
| Balance at 1 April  | 204,500                               | 205,100                               | 18,913                                | 19,288                                | 223,413                               | 224,388                               |
| Expected return on plan assets                            | 8,600                                 | 8,400                                 | 804                                   | 802                                   | 9,404                                 | 9,202                                 |
| Return on scheme assets greater/(less) than discount rate | 14,600                                | 1,500                                 | 4,445                                 | (756)                                 | 19,045                                | 744                                   |
| Contributions by the employer                             | 400                                   | 400                                   | 117                                   | 117                                   | 517                                   | 517                                   |
| Contributions by the plan participants                    | 200                                   | 200                                   | 16                                    | 16                                    | 216                                   | 216                                   |
| Administration costs                                      | (400)                                 | (600)                                 | (26)                                  | (29)                                  | (426)                                 | (629)                                 |
| Benefits paid   | (10,500)                              | (10,500)                              | (569)                                 | (525)                                 | (11,069)                              | (11,025)                              |
| Fair value of assets at end of year                       | 217,400                               | 204,500                               | 23,700                                | 18,913                                | 241,100                               | 223,413                               |

The actual return of plan assets in the MLC Pension Scheme was a gain of £23.2 million (2013/14: £9.9 million). The actual return of plan assets in the HGCA Pension Scheme was a £5.2m gain (2013/14: £46k).

### 18g. 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<br>£000 | HGCA<br>£000 |
|---|-------------|--------------|
| Expected benefit payments made during 2015/16 | 10,000      | 581          |
| Expected benefit payments made during 2016/17 | 9,700       | 593          |
| Expected benefit payments made during 2017/18 | 10,000      | 686          |
| Expected benefit payments made during 2018/19 | 10,100      | 634          |
| Expected benefit payments made during 2019/20 | 10,100      | 640          |
| Expected benefit payments 2019/20 to 2024/25  | 51,600      | 3,881        |

# Notes to the financial statements

## 18. Pensions (continued)

### 18h. 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 2015 (31 March 2014: 36 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 2015 was £93k (2013-14: £92k) and the value of outstanding contributions as at 31 March 2015 was £8k (31 March 2014: £7k). This Scheme was closed to new members in 2008, when AHDB set up the AHDB Pension Scheme for newly appointed employees.

### 18i. 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 389 members as at 31 March 2015 (31 March 2014: 365 members). 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 2015 was £918k (2014: £800k) and the value of outstanding contributions as at 31 March 2015 was £79k (31 March 2014: £79k).

## 19. Events after the reporting date

There were no significant events after the reporting date.



## AHDB Sector boards at 31 March 2015

### BPEX – English pig sector

**Stewart Houston CBE**, (Chair) (end of term in office 31 March 2015)

**Alastair Butler**, pig producer, Suffolk

**Marcus Cheale**, processor

**Richard Hooper**, pig producer, Shropshire

**William de Klein**, processor

**Barry Lock**, processor

**Rob Mercer**, pig producer, Staffordshire

**Andrew Saunders**, processor

**Robert Shepherd**, pig producer, Hampshire

**Ian Smith**, pig producer, Bedfordshire

**Iain Wylie**, independent member

*Meryl Ward was appointed as an AHDB Board member and the new BPEX Chair by UK Ministers, from 1 April 2015.*

### DairyCo – GB milk sector

**Gwyn Jones**, (Chair)

**Jim Baird**, dairy farmer, Lanark

**David Cotton**, dairy farmer, Somerset

**Keith Davis**, dairy farmer, Gloucestershire

**Timothy Gue**, dairy farmer, West Sussex

**Chris James**, dairy farmer, Pembrokeshire

**Peter Miller**, independent member (deceased 24 May 2015)

**Peter Nicholson**, processor

**Janette Prince**, dairy farmer, Staffordshire

**Thomas Rawson**, dairy farmer, Lincolnshire

### EBLEX – English beef and lamb sector

**John Cross**, (Chair) (end of term in office 31 March 2015)

**Philip Abbott**, producer, Tamworth

**Mark Allan**, processor

**Peter Baber**, producer, Exeter

**Howard Bates**, sheep farmer, Romney Marsh

**Stephen Conisbee**, producer, Surrey

**James Evans**, producer, Shropshire

**Gill Fine**, independent

**Andy Foot**, mixed arable and beef farmer, Dorset

**Ed Green**, producer, Somerset

**Rizvan Khalid**, processor

**Duncan Nelless**, producer, Northumberland

**Richard Phelps**, processor

**Rosalind Turner**, sheep farmer, Leicestershire

**Paul Westaway**, beef farmer, Gloucestershire

**Gwyn Williams**, livestock auctioneer, Cheshire

*Stuart Roberts was appointed as an AHDB Board member and the new EBLEX Chair by Ministers, from 1 April 2015.*

## **HDC – GB horticulture sector**

**Gary Taylor**, (Chair)

**Martin Emmett**, bulbs and outdoor flowers consultant, West Sussex

**Martin Evans**, independent member

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

**Mike Mann**, protected ornamentals grower, Cornwall

**Marion Regan**, soft fruit grower, Kent

**John Sedgwick**, field vegetable grower, Cambridgeshire

**Alison Spaul**, independent member and vice chair

**Neville Stein**, independent member

**Lynden Stowe**, independent member

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

**Jonathan Tipples**, (Chair) (end of term in office 31 March 2015)

**Ian Backhouse**, arable and livestock farmer, East Yorkshire

**Andrew Brown**, mixed farmer, Rutland

**Robert King**, independent member

**Robert Lasseter**, cereals and pig farmer, Dorset

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

**Charles Matts**, arable and livestock farmer, Northampton

**Andrew Moir**, cereals farmer, Scotland

**David Neal-Smith**, independent member

**James Price**, arable farmer, Oxford

**Paul Temple**, arable and beef farmer, East Yorkshire (end of term in office 31 March 2015)

**Richard Whitlock**, grain and biofuels consultant

*Paul Temple was appointed as an AHDB Board member and the new HGCA Chair by Ministers, from 1 April 2015.*

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

**Fiona Fell**, (Chair)

**Anthony Carroll**, grower, Northumberland

**Dave Chelley**, processor, Lincolnshire

**James Daw**, processing grower, Staffordshire

**Zoe Henderson**, independent member

**Dan Hewitt**, grower merchant, Norfolk

**Philip Huggon**, independent member

**Bruce Kerr**, grower, Suffolk

**Edward Lindley**, grower, Yorkshire

**Alistair Melrose**, seed grower, Angus

**Alistair Redpath**, seed merchant, Perthshire

**Mark Taylor**, grower packer, Cambridgeshire

**William Quan**, grower, Herefordshire

## Glossary of acronyms

|       |  |         |  |
|-------|--|---------|--|
| AFS   | Assured Food Standards   | IFRS    | International Financial Reporting Standards  |
| AHDB  | Agriculture and Horticulture<br>Development Board              | ISBN    | International Standard Book Number   |
| ALB   | Arm's Length Body  | KPI     | Key Performance Indicator  |
| ARAC  | Audit and Risk Assurance Committee                             | KE      | Knowledge Exchange   |
| CBE   | Commander of the Most Excellent Order of<br>the British Empire | MBE     | Member of the Most Excellent Order of the<br>British Empire                        |
| CEO   | Chief Executive Officer  | MI      | Market Intelligence  |
| CETV  | Cash Equivalent Transfer Value                                 | MLC     | Meat and Livestock Commission  |
| CIEL  | Centre for Innovation and Excellence in<br>Livestock           | MLCSL   | Meat & Livestock Commercial<br>Services Limited                                    |
| CPD   | Continuous Professional Development                            | NAO     | National Audit Office  |
| CPI   | Consumer Price Index   | NDPB    | Non-Departmental Public Body   |
| DB    | Defined Benefit  | NFUS    | National Farmers Union Scotland  |
| DC    | Defined Contribution   | PESTLE  | Political, Economic, Sociological,<br>Technological, Legislative and Environmental |
| Defra | Department for Environment, Food and<br>Rural Affairs          | PLI     | Profitable Lifetime Index  |
| EAMU  | Extension of Authorisation for Minor Use                       | R&D     | Research and Development   |
| EU    | European Union   | RPI     | Retail Price Index   |
| FABS  | Finance and Business Services                                  | SAM     | Stun Assurance Monitor   |
| FReM  | Financial Reporting Manual                                     | SBEU    | Sutton Bridge Experimental Unit Limited  |
| GB    | Great Britain  | SCEPTRE | Sustainable Crop Protection Targeted<br>Research for Edibles                       |
| GHG   | Green House Gas  | SCI     | Spring Calving Index   |
| GHGAP | Green House Gas Action Plan                                    | SET     | Senior Executive Team  |
| GMP   | Guaranteed Minimum Pension                                     | SI      | Standing Instructions  |
| HCC   | Hybu Cig Cymru   | UK      | United Kingdom   |
| HMRC  | Her Majesty's Revenue and Customs                              | UKGAAP  | UK Generally Accepted Accounting<br>Principles                                     |
| HR    | Human Resources  |         |  |
| IAO   | Information Asset Owner  |         |  |
| IAS   | International Accounting Standards                             |         |  |



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