



Agriculture & Horticulture  
DEVELOPMENT BOARD

# **Agriculture and Horticulture Development Board Annual Report and Accounts 2010/11**





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

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# Contents

<b>About AHDB</b>	
Who we are and what we do	4
<b>AHDB Board and statutory committees</b>	5
<b>Industry watershed</b>	
Chair's foreword	6
<b>Improving our efficiency</b>	
Chief Executive's report	7
<b>AHDB in action, making a difference for our levy payers</b>	
Operational report	9
<b>Meat and Livestock Commercial Services Limited and other trading subsidiaries</b>	16
<b>Report on the AHDB Board's statutory committees</b>	17
<b>Accounts for the year ended 31 March 2011</b>	
Financial review of the year	19
Statement of the Board's and Chief Executive's responsibilities	20
Statement on internal control 2010/11	21
Remuneration report	25
Audit certificate and report	31
Consolidated statement of comprehensive income	32
Consolidated statement of movement in reserves	33
AHDB statement of movement in reserves	34
Consolidated statement of financial position	35
AHDB statement of financial position	36
Consolidated cash flow statement	37
AHDB cash flow statement	38
Notes to the financial statements	39
<b>Sector boards, levy rates and glossary</b>	
AHDB sector boards	72
Levy rates for 2010/11	74
Glossary of terms	75

**Third 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 2011.**

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

# About AHDB

## Who we are and what we do

### Who we are

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

Covering about 75% of total agricultural output in the United Kingdom (UK), we support:

- i) Pigmear in England – through our BPEX Division
- ii) Milk in Great Britain (GB) – through our DairyCo Division
- iii) Beef and lamb in England – through our EBLEX Division
- iv) Commercial horticulture in GB – through our HDC Division
- v) Cereals and oilseeds in the UK – through our HGCA Division
- vi) Potatoes in GB – through our Potato Council Division.

AHDB was established under the Agriculture and Horticulture Development Board Order 2008; it became operational on 1 April 2008.

### Our structure

Our philosophy is that levy payers are at the heart of what we do. In order to deliver genuine levy payer focus AHDB is organised around six operating divisions (named above), one for each sector covered by our remit. This focus is enhanced by sector-specific advisory boards made up mainly of levy payers. These boards help us to develop the most appropriate strategies to meet the challenges faced in each sector; they also help us to deliver good levy payer accountability.

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

### What we do

We help our industries to be more competitive and sustainable. To achieve this, we undertake research and development (R&D) and farm-level knowledge transfer (KT) and knowledge exchange (KE) activity. We also provide essential market information to improve supply chain transparency, deliver marketing promotion activities to help stimulate demand and also work to maintain and develop export markets.

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

AHDB's five corporate objectives are to:

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

### How we are funded

The work of AHDB is funded by farmers, growers and others in the supply chain through statutory levies – not from central Government. The funds raised from each commodity sector are ring-fenced to ensure they are used only to the benefit of the sector from which they were raised.

### Group structure

During the year there were two subsidiaries in the AHDB group that actively traded, the Meat and Livestock Commercial Services Limited (MLCSL) and Crop Evaluation Limited (CEL). All their costs were fully accounted for within those companies and any profits returned to AHDB to supplement levy funds. At 31 March 2011, a Hive Out agreement transferred CEL's assets and liabilities to AHDB and the company became dormant. A further wholly-owned subsidiary company, Sutton Bridge Experimental Unit Limited (SBEU) is used to hold the property occupied by the AHDB's potato research and development facility. All trading income and operating costs of the Unit are received and incurred directly by AHDB as part of the Potato Council's operating results.

### Registered office

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

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

# AHDB Board and statutory committees

## AHDB Board at 31 March 2011

### Independent members:

\* Dr John Bridge (Chair – term ended in March 2011)  
Professor Chris Bones  
Lorraine Clinton  
Clare Dodgson

### Sector Board Chairs:

John Cross, EBLEX (English beef and lamb)  
Jonathan Tipples, HGCA (UK cereals and oilseeds)  
Neil Bragg, HDC (GB horticulture)  
Tim Bennett, DairyCo (GB milk)  
Stewart Houston CBE, BPEX (English pigs)  
Allan Stevenson, PCL (GB potatoes)

**\* John Godfrey CBE was appointed Chair in May 2011 by Ministers**

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

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

## Statutory committees at 31 March 2011

### AHDB Audit Committee

Professor Chris Bones (Chair) – AHDB independent Board member  
Neil Bragg – AHDB Board member  
Lorraine Clinton – AHDB independent Board member  
John Cross – AHDB Board member  
Jonathan Tipples – AHDB Board member  
Ian Martin – DairyCo sector board member

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

### AHDB Remuneration Committee

Lorraine Clinton (Chair) – AHDB independent Board member  
Tim Bennett – AHDB Board member  
Stewart Houston CBE – AHDB Board member  
Allan Stevenson – AHDB Board member

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

### AHDB Nominations Committee

Clare Dodgson (Chair) – AHDB independent Board member  
Dr John Bridge – AHDB independent Board member (term ended in March 2011)  
Professor Chris Bones – AHDB independent Board member

*Nominations Committee oversees the appointment of AHDB's sector board members. Terms of reference are published on [www.ahdb.org.uk](http://www.ahdb.org.uk)*

# Industry watershed

## Chair's foreword

Every few decades there is an important defining period in history for food and farming. I believe we are at one of these watersheds, as issues to do with food security, climate change and protecting natural resources have come together and now sit high on the agenda for many world leaders.

The recent Foresight report by our leading scientists has analysed the global challenges we face in this area – their simple conclusion was that we need to produce a lot more while impacting less.

Does AHDB have a role in helping to meet these challenges? Yes, I believe it has a pivotal role in helping our industries to be more competitive and sustainable through research and development and farm-level knowledge transfer/exchange activity and the provision of essential market information to improve supply chain transparency.

I have in the past been critical of levy boards. Having looked at the enormous strides AHDB has made in bringing the sectors together, reducing costs and increasing operating efficiency under the leadership of my predecessor John Bridge and the Chief Executive, Tom Taylor, I hope that we can maintain this progress in delivering greater value to our levy payers during my term in office.

When I was appointed as Chair, I was reminded that the Minister of State for Agriculture and Food looks to a revitalised AHDB to ensure that it is the central professional body for the farming industry which delivers significant return on investment for all levy payers. To this end, we are working with Defra to look at ways to further develop AHDB as an efficient, relevant and accountable professional body for the farming industry, operating at arm's-length from Government. The implementation of any subsequent Ministerial direction will be a priority for the AHDB Board over the coming year.

The single biggest challenge AHDB faces is not new and is not unique to AHDB. It is how to get more farmer and processor businesses to engage in improving their competitiveness and sustainability. If we could resolve this, the momentum of farm and related business improvement in the UK would increase considerably.

As a farmer growing a variety of crops and livestock, I am well aware of the mixture of seemingly conflicting messages on priorities that we are all receiving from different directions – the Government, single-issue campaigning groups and professional farm advisory organisations – all with different agendas.

I am pleased to say that the AHDB, by continuing to concentrate on what best delivers efficient and sustainably profitable rural businesses, will also deliver the other 'public benefits' to do with greenhouse gases, contributing to the rural community and biodiversity.

We all need to ensure that the tremendous value for money that AHDB delivers to the levy payer is clearly communicated.

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

*John is a farmer and a chartered accountant. He is a Fellow of the Royal Agricultural Societies, a trustee of the Lincolnshire Agricultural Society, President of Scunthorpe United Football Club and was awarded the CBE in 1998 for services to agriculture. John was appointed chair of AHDB on 16 May 2011.*



# Improving our efficiency

## Chief Executive's report

### The development of AHDB

My first year with AHDB and the food and farming sector has been both challenging and enjoyable. Challenging, because of the amount we had to get done and the multitude of issues our industry is faced with. Enjoyable, because of the positive, can-do attitude that pervades the agricultural community and all the interesting and talented people I've met and worked with.

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

The 2010/11 financial year has been AHDB's development phase, following our two formative years of major transition and change. We have continued to strengthen our governance structures and internal control processes, increased the level of integration across our operational teams and started acting as an organisation that covers 75% of agricultural output in the UK.

We have continued to reinforce the importance of looking forwards, not backwards; to work together as one team where we can reap the benefits of a more efficient team-working culture, improved systems and better co-ordinated corporate services; and at the same time retaining the focus and sector specialism of our six dedicated divisional delivery teams, branded BPEX, DairyCo, EBLEX, HGCA, HDC and Potato Council.

A tangible endorsement for the value of the work we do for our levy payers came in January 2011 when the feedback from our 2011/14 Corporate Business Plan industry consultation strongly endorsed the strategies for all our sectors, including levy increases for the English beef and lamb sector, the UK cereals and oilseeds sector and the GB potato sector.

### Our financial performance

I'm pleased to report that we have posted an operating surplus of £1.56m (2010: £268k). We still have a retained deficit of £81k, due to technical accounting issues relating to our pension schemes and the balance of our re-organisation costs. We are, however, on track to deliver both an operating and retained surplus in 2011/12.

It is interesting to remember that in 2007/08, prior to AHDB being established, the combined business made a £3.4m loss. Since that time total income has reduced by £7.9m due to the loss of Government grants and commercial income from MLCSL but this has more than been offset by the reductions in our cost base by bringing the organisations together. Our total group head count is now some 128 lower than pre-AHDB days (a breakdown of the employee numbers for 2010 and 2011 is shown in Note 5 to the accounts).

Operational efficiencies have been achieved through improved systems and better co-ordinated corporate

functions. We have also nurtured a more efficient team-working culture and this approach has started to deliver the sought-after joint sector-funded projects and consequential better value for money for our levy payers, some examples of which can be found in the operational report starting on page 9.

The levy collection team was restructured and a number of system improvements were made to enable the issuing of returns and collection of levies, to be carried out much more efficiently than previously. We also concentrated on initiatives to reduce debtors and collect levies previously not identified.

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

### Accountability to our levy payers

Accountability to our levy payers is very important and our structure and the delivery of our levy payer services reflect this. We have sector boards, committees and panels comprising levy payers and other industry stakeholders who help shape all our work programmes and propose required levy rates. The chairs from our six sector boards sit on the main AHDB Board. We hold regular open meetings, conferences and workshops for levy payers and industry stakeholders around the UK giving those that choose to, plenty of opportunity to engage. Our teams can be found exhibiting at most of the major agricultural shows. We consult widely on our annually updated three-year Corporate Plan and the proposed levy rates for the year ahead. In addition the main farming trade press hold us to account.

### Governance

Our system of internal control and corporate governance has been thoroughly reviewed and further developed during the year to 31 March 2011. We have also put in place more robust estates management.

Internal auditors carried out a number of audits of our internal control systems during the year. I am pleased to say that the subsequent reports on corporate governance and risk management provided substantial assurance that risks material to the achievement of AHDB's corporate objectives and measures are adequately managed and controlled.

This work is ongoing and I anticipate being able to report further progress this time next year. Detail on our governance structure and system of internal control can be found on pages 21 to 24.

### Delivering efficiency

The Board's previous decision to adopt an AHDB matrix management structure is proving to be the right way to deliver both the focus on sector-specific delivery that our levy payers want, as well as the added benefits of shared best practice across functions. This success is very much down to the members of the Senior Management Team

(SET) who have responded well to the management challenge and are developing as a strong leadership team.

We have refined some elements of our team structures and repositioned some individuals across our sector and corporate service teams in order to use the maximum potential of the skills and experience across the organisation. These improvements have ensured we have the right people in the right roles who can be held accountable for their performance, action plans and delivery of targets/objectives.

A series of Best Practice human resources (HR) policies and procedures were designed, consulted and implemented to provide the basis of a coherent and structured professional service that supports AHDB and our employees and delivers added value for levy payers.

The divisional management teams now receive management accounts and reports each month in half the time they did twelve months ago, tailored where appropriate to meet sector-specific requirements. Our Finance staff are actively working much more closely with sector directors and staff to improve their interpretation of accounts.

We identified procurement as a significant area to provide support to the sector teams and also to generate potential savings. A small professional procurement team was put in place towards the end of the year. This team will ensure AHDB meets its statutory requirements regarding procurement of goods and services for the public sector, as well as generate the important cost reductions across the organisation both in direct sector-specific areas and in central support costs.

Following the re-location of AHDB operations to Stoneleigh, a number of information technology (IT) projects have been completed during the reporting period to ensure AHDB has robust business continuity processes and resources in place. In addition, a critical work stream to move all our divisional teams onto one common IT platform was nearing completion by the end of the reporting period. This will permit more efficient data handling and facilitate better integration and information sharing between our specialist teams.

The uncertainty about where our headquarters may be located on a permanent basis was a cause of concern among many of our people based at Stoneleigh Park. It also impacted adversely on our ability to recruit high quality staff. However, on 8 March 2011 we were able to inform employees that we had been given the green light by the Cabinet Office to pursue the option of leased offices on Stoneleigh Park. This provided important reassurance and there has been a more confident and settled atmosphere among employees as a result.

2011/12 will see us finalise our permanent office accommodation arrangements on Stoneleigh Park, allowing us to deliver the final phase of our plans for optimal cross-team integration. We will physically co-locate our research and knowledge transfer teams and enable all our marketing and communications teams to work alongside each other. This will give a further boost to better sharing of ideas and best practice and swifter identification of cross-sector projects which can give maximum benefit and value to levy payers.

I am a strong believer in the power of good internal communications and through a multitude of direct and indirect channels the SET has worked to engage with our employees and board members, keep them informed and listen to feedback. We continue to work hard to make AHDB the most productive and positive workplace possible.

On 15 March 2011, Defra held a Workshop to debate the future of AHDB with representatives of the agriculture and horticulture industries, the wider food chain and individual levy payers. There was strong support for our work to be continued but also various suggestions for improvements in a number of areas. The Minister of State for Agriculture and Food has directed us to work with Defra officials in the year ahead to consider the way forward.

### **The voice of AHDB**

As an organisation that covers 75% of UK agricultural output and has a pivotal role in helping to make the six commodity sectors we support more competitive and sustainable, our input is increasingly being sought on matters where our evidence-based information can add value to the policy-making process.

Over the last year we have had requests to provide evidence and expertise on a wide range of topics/committees. This included membership of Defra's Common Agricultural Policy (CAP) Reform Stakeholder Group, giving evidence to the House of Lords inquiry on innovation in agriculture, the Environment, Food and Rural Affairs (EFRA) Committee on the impact of CAP reform, upland farming and the impact of the European Commission (EC) milk package, and the Environmental Audit Committee on sustainable food. We also responded to more than a dozen Government/Agency consultations on behalf of the industry.

### **The year ahead**

Our focus at AHDB is on helping to make the six commodity sectors we support more competitive and I believe we are able to do this work more cost effectively now, than at the beginning of the year.

We will work to further develop AHDB as an efficient, relevant and accountable professional body for the industry.

Our AHDB culture is still developing and a bottom-up project to identify our core values and how we should live them will significantly help shape our operating culture during the year ahead.

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

# AHDB in action, making a difference for our levy payers

## Operational report

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

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

During the year we used the AHDB structure to improve the value for money we provided, particularly through a more efficient team-working culture which delivered better sharing of ideas and best practice and swifter identification of projects which give benefit across two or more sectors, spreading the cost.

### **Reduction of greenhouse gas (GHG) emissions for agricultural production systems**

The UK Climate Change Act (2008) commits the UK to a reduction of GHG emission by 80% of 1990 levels in terms of carbon dioxide equivalents (CO<sub>2</sub> eq). The agriculture and horticulture sectors of the economy are required to contribute to this target but AHDB and its partners are seeking to avoid an approach which relies on regulation.

AHDB has therefore been an active participant (with National Farmers Union (NFU), Country Land & Business Association (CLA), Agricultural Industries Confederation (AIC) and others) in developing and agreeing with Defra, a voluntary Industry GHG Action Plan whereby steps will be taken to reduce, by 2020 (as a first step), emissions from agricultural production in England of three million tonnes CO<sub>2</sub> equivalents per annum.

Agricultural production is a major source of two GHGs, which have substantially higher global warming potential than CO<sub>2</sub>. These are methane (CH<sub>4</sub>) from manures and the digestion of cellulose by ruminant livestock and nitrous oxide (N<sub>2</sub>O) from sources of reactive nitrogen in soil derived from organic matter, legumes and fertilisers.

Reducing fossil fuel use to limit CO<sub>2</sub> emissions is straightforward by comparison with trying to regulate the biological processes which determine emissions of CH<sub>4</sub> and N<sub>2</sub>O. Hence, efficiency in terms of reduced GHG emissions per unit of production (litres of milk, tonne of grain etc) is the route that AHDB is following.

Activities to identify and spread best practice with regard to GHG emissions are being communicated through sector 'road maps' and other industry-facing initiatives. This work is coordinated through the AHDB Climate Change Mitigation and Adaptation Task Force, which is chaired by AHDB's Chief Scientist, who is also taking a lead for AHDB on the Industry GHG Action Plan Steering Committee.

### **Technology Strategy Board**

The Technology Strategy Board (TSB) operates within the Department for Business, Innovation and Skills and is resourced to elevate the economic performance of sectors of the UK economy through supplementing commercial investment in the development of innovative products and services. In the case of the agriculture and horticulture sectors, substantial funding (£80 million) was committed in 2010 (from TSB, Defra and the Biotechnology & Biological Sciences Research Council (BBSRC)) to establish a Sustainable Agri-Food Innovation Platform (SAF-IP).

As a member of the SAF-IP Steering Group, the AHDB Chief Scientist is working with colleagues across AHDB to ensure that the priorities of levy payers are clearly registered so that maximum value for the industry at large can be derived from this government support for commercial innovation.

## BPEX Division

### Supporting the Pig Industry in England

BPEX is focused on delivering an English pig production and processing sector that is resilient, sustainable and comprises internationally competitive supply chains which results in businesses that have the confidence to invest in their future.

The two primary objectives to delivering this vision in 2010-11 were to:

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

The importance of delivering these objectives was amplified by the unprecedented rise in commodity prices during the year, which threatened the viability of English producers and processors.

#### Delivery highlights for 2010/11

- As at 31 March 2011, the English Pig Industry Environment Road Map had been completed ready for launch in April. It sets out how BPEX and industry partners intend, over the coming decade, to achieve reductions in the environmental impact of the pig industry through targeted actions.
- The Two Tonne Sow (2TS) campaign aims to help English producers achieve an industry average of 2,000kg of pigmeat per sow per year by 2013, from a baseline of 1,608kg in 2009. This continued to be delivered through focusing our R&D and KT activities in six areas: breeding, finishing, health, nutrition, buildings and training.
- In response to highly volatile global commodity prices during 2010/11, working in partnership with the HGCA division we delivered an extensive programme of knowledge transfer and training on risk management

techniques. This included a website resource, a national series of risk management workshops and the securing of grant funding for English pig producers to access training to use commercial risk management tools.

- In the past year we have established a welfare outcomes project to provide objective assessment and scoring of pig welfare for indoor, outdoor breeding and finishing pigs. This will strengthen the differentiation of English pigmeat to retail and food service companies and their customers.
- As part of the Pig Meat Supply Chain Task Force activity we established a voluntary code of practice for retail and food service companies requiring clear labelling of country of origin, production systems and breed descriptions. All major multiple retailers and food service companies are among the 49 companies which have signed up to the code.
- An innovative research project using stable isotope reference analysis (SIRA) proved it is possible to determine accurately the geographical origin of pork taken from a retail pack. The objective is to enable the pig industry to further ensure the integrity of provenance within the pigmeat supply chain.
- In 2010, we launched the BPEX Pig Health initiative which aims to enhance the health status of the national pig herd by supporting activity and co-ordination between farmers, veterinarians and the allied industry. By identifying the key disease challenges in each region, we can get one step closer to eradication through the improvement of biosecurity, co-ordination of health improvements between neighbours and the full support and integration of all those who impact upon farm businesses.

BPEX performance against key targets 2010/11		
Key Outcome	Target	Performance
Conduct regional pig health improvement programmes - reduction in target diseases by region and improved pig health and welfare. Increased productivity margins	Completion of two regional programmes by end of 2011 and five by end of 2013. Reduction of 95% for target disease, 5% in antimicrobial usage, improved financial and production efficiency measures	Completion of stage 1 and start of stage 2 for two regional health initiatives in Yorkshire/Humberside and East Anglia. A stage 1 national health improvement programme for England has been agreed
Communicate the 2TS project and other initiatives focused on industry key performance indicators (KPIs) – to enhance the uptake of BPEX services and knowledge that make a tangible difference to individual pig and pigmeat businesses	Increase recognition of industry KPI's. 5% increase in web traffic. 60% awareness of Environmental Strategy	Website traffic increased by 50% since March 2010 (up to 38,863 unique visitors). Launched dedicated KPI and 2TS sections on the web in summer 2010. The 2TS area is third most visited area of the site. BPEX Environment Strategy not launched until April 2011
Promote price risk management techniques in conjunction with HGCA division and increase the understanding of risk management techniques relating to commodity trading	Conduct four workshops. Achieve 80% satisfaction scores	Four workshops delivered - E.Anglia, Yorkshire, S.England, South West. c. 45% of national herd represented, 25% of national herd doing additional grant-funded training. Workshops got 92% excellent/very good feedback rating
Ensure transition from Quality Standard Mark (QSM) to Red Tractor as a straight replacement	Monitor Sept 2008 benchmark of pork	Successful transition. Visibility on pork up from 65% in Oct 2008 to 73% in Jan 2011, sausage 30% to 42%. Bacon static - 27%, ham fell to 4%
Gain greater consumer and market insight - supply chain better informed of market changes and opportunities	70% reader satisfaction	Market insight publications eg Category Reports achieved a score of 4.3 out of 7 (61%). Pig Yearbook and Pig Farmer scored 4.7 (67%)

## DairyCo Division

### Supporting the Milk Industry in Great Britain

In 2010/11, we continued to work for milk levy payers to develop and deliver tools and technologies designed to improve competitiveness and business performance in dairy farming. Our R&D and KT teams researched new practices and engaged with dairy farmers and other stakeholders to ensure they knew about, and had access to, the full range of DairyCo services.

#### Delivery highlights for 2010/11

- A new approach to commissioning R&D was implemented. Two Research Partnerships were tendered, each valued at £2.5m (80% of DairyCo research spend) and lasting five years. The winning bids were led by Nottingham University and Scottish Agricultural College (SAC) and cover animal nutrition, health and welfare and grass forage and soils respectively. The aim is to develop closer relationships between academic research and the DairyCo KT service, build greater long-term capacity to deliver applied dairy research in GB and exploit opportunities for additional funding.
- 'Datum' continued to provide relevant market information to help dairy farmers fully understand markets. The market intelligence team engaged with farmers, driving increased uptake of many of our market intelligence outputs. In March 2011, we had 50,000 website page views and subscribers to our Monthly Market Intelligence Report had doubled.
- Our MilkBench+ benchmarking service was enhanced. The target of 350 farms fully entered onto the database was exceeded (386). The feedback to dairy farmers has proven to be highly valued. The work on the dairy farm KPIs and the three-day workshop – 'planning for profit' - gave participants insight into where to make business improvements.
- We invested in new genomic technologies which will further enhance our reputable Breeding+ service, enabling the national herd to benefit from faster genetic improvements.
- The DairyCo Mastitis Control Plan and the work on mobility have been significant successes this past year. These two projects target areas of concern for the dairy industry and the key feature of both is that we have done all the 'leg work' to bring together the best current understanding of how to tackle these issues in a practical way.
- In September 2010, we embarked on a three-year project determining carbon footprints of a representative sample of dairy farms in GB. The information gained from this project will help farmers identify key areas for improvements. There should be a 'win-win' of production efficiency and environmental savings on farms that implement change.
- Our consumer website [www.thisisdairyfarming.com](http://www.thisisdairyfarming.com) has been developed to provide facts on dairy farming for the general public. A central element is the 'Moovies' section, which has a series of short videos on different aspects of dairy farming presented by farmers and experts in the industry. The value of this balanced information became clear when the large farm debate developed and many of the public sought further information.
- Our schools' work has developed further this year in order to better meet the changing needs of practicing teachers and the curriculum. DairyCo has launched a new dairy farming module on [www.foodfactoflife.org](http://www.foodfactoflife.org) - a joint initiative between AHDB sectors and the British Nutrition Foundation (BNF).

DairyCo performance against key targets 2010/11		
Key Outcome	Target	Performance
Farmers have access to unbiased, high-quality market information that assists in business planning and supply chain relationships	Monthly target of website hits 70,000 and subscribers to fortnightly Dairy Market Update 4,000	Key reports produced on time. Website targets amended from hits to 'page views'. Specific Datum page views as at year end approximately 48,000/month. Update subscribers 3,520 (500 expired users removed)
Reduction in the amount of climate changing emissions produced per litre of milk through achieving roadmap targets and provision of appropriate information	Achieve the highest priority targets in the Milk Roadmap – 50% of dairy-managed farmland entered into Environmental Stewardship Schemes (ESS); 65% of dairy farmers to nutrient plan; improve water and energy use efficiency by 5-15%	595,018ha (61%) of dairy holding area in ESS. 65% dairy farmers actively nutrient planning. 58% of farms responding to a DairyCo Water Use Efficiency Survey made changes to make better use of water in the last 12 months
Farmers make informed breeding decisions that lead to the best cows for maximising their profitability	Three genetic evaluation runs produced. The average Profitable Lifetime Index (PLI) of semen used increases over year by eight points from the new base	All evaluations published on schedule. Over 16 point increase as at year end
Farmers actively planning and taking control of their farm business and their future to optimise productivity and competitiveness by implementing best practice and new research	Work directly with dairy farmers on 8,000 occasions to support the profitability of their businesses	Worked with dairy farmers on 13,369 occasions - discussion groups, open meetings, Milkbench+, DairyCo Mastitis Control Plan
Provision of high quality information to consumers which helps create a positive environment towards dairy farming in which the industry can thrive	Increasing usage of our consumer websites (launch Mar 2010), leading to positive consumer attitudes towards dairy farming	<a href="http://www.foodfactoflife.co.uk">www.foodfactoflife.co.uk</a> achieved a 31% increase in usage (visits, page views, downloads) after launch of new resources <a href="http://www.thisisdairyfarming.com">www.thisisdairyfarming.com</a> achieved first page Google rankings for key search terms

## EBLEX Division

### Supporting the Beef and Lamb Industries in England

Throughout 2010/11 we have focused on delivering on our two main aims to:

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

In broad terms, this includes activity on research and development, knowledge transfer, marketing, market information and trade development.

#### Delivery highlights for 2010/11

- After introducing a dedicated EBLEX focus on increased market access, we helped open nearly 30 additional non-EU export markets for English producers and processors. It is enabling the industry to match cuts to markets where they can get the best prices and turn the cost of disposing of 'Fifth Quarter' products (offal, etc) into a profit, while helping push up the domestic price for producers.
- In December 2010, we launched the second phase of our ongoing environment research in the form of the Testing the Water roadmap. Available free to levy payers and stakeholders, it covers links between profitability and lower emissions, water usage, the value beef and sheep farming brings to the landscape and the processing sector.
- Under the banner of Red Tractor beef and lamb, we sponsored ITV1's Britain's Best Dish series in Autumn 2010. It included filmed segments either side of the advert breaks and at the start and end of the programme, showcasing recipes using beef and lamb. The eight-week run saw 43.1% of housewives with children viewing the promotion.
- Working closely with DairyCo division, our EBLEX Better Returns Programme (BRP) developed a set of management guidelines for the control of internal parasites in cattle. This led to the Control of Worms Sustainably (COWS) manual, to communicate the

messages to advisers and vets alike. A series of autumn meetings with vets took this training a stage further. A farmer-friendly version of the guide was developed for producers, with additional on-farm sessions.

- We continued to identify, demonstrate and promote a range of new cuts, designed to make greater use of the carcass and promote less well-known cuts. The work saw three innovative cuts featuring in significantly more retail outlets than the previous year: 42% to 56% for lamb chunkies, 27% to 33% for centre cut steaks and 27% to 44% for flat iron steaks.
- After launching a Halal Steering Group in early 2010, we co-ordinated publication of the first authoritative study of the Halal red meat industry in England. It gives an overview of the Halal market and provides an insight into Muslim consumers' attitudes to Halal meat. It is now established as a unique knowledge store for abattoirs, butchers, retailers and processors planning the future development of their businesses.
- EBLEX has made considerable efficiencies internally as well as benefiting from the AHDB structure with shared services such as finance, human resources and IT. This has enabled us to cut our spend on support costs from 16% of our income to less than 10% (£2.2 million to £1.33 million).
- Through being a part of AHDB and its support of the Red Tractor, EBLEX was able to have a significant presence at the BBC Good Food Show at Birmingham's National Exhibition Centre (NEC) in November 2010. As an individual organisation in the past, it had been difficult to make an impact, but by working with BPEX division, Potato Council division, as well as NFU and Assured Food Standards (AFS), we were able to play a pivotal part in the 'Good Food Story' stand, visited by more than 100,000 people, to promote Red Tractor beef and lamb.

EBLEX performance against key targets 2010/11		
Key Outcome	Target	Performance
Implementable ideas are communicated to producers	75% of people receiving BRP information find it useful	Results from annual survey in March 2011 show 92% satisfaction rating with BRP materials
Create more efficient processors	Development of four new cuts (two beef and two lamb) and a minimum of eight presentations to selected volume businesses to improve carcass utilisation	Flat-iron steaks, seam butchered rump, lamb chunkies and rustic shoulder roast are now being sold through independent, multiple and foodservice channels. Meetings with leading processors and key foodservice suppliers established and ongoing
Enhance the image of red meat as a healthy, nutritious food	Deliver a Return on Investment (ROI) of 1:8 on three consumer Public Relations (PR) campaigns running until Dec 2010	ROI 1:37 for Xmas campaign ROI 1:21 on summer PR campaign ROI: 1:34 on FlashGrilling campaign
Export opportunities maximised	Re-open five non-EU markets for beef exports. 50% increase in Fifth Quarter exports	Nearly 30 markets now available to exporters and exports to them commenced. Beef Fifth Quarter exports up 50% and up 65% for lamb

## HGCA Division

### Supporting the Cereals and Oilseeds Industry in the United Kingdom

The cereals and oilseeds industry has again had to manage a year of significant market volatility, arising from unpredictable weather patterns and last summer's decision by Russia and the Ukraine to ban grain exports.

HGCA also successfully took its case to the industry for a 15% levy increase, the first for 14 years, following the closure of Defra's LINK programme and declining grant funding.

#### Delivery highlights for 2010/11

- During the year attendees responsible for 270,000 hectares attended HGCA events. October's keynote Grain Market Outlook Conference in London attracted 170 UK and international delegates. Eleven grain market workshops showcased our online Wheat Sensitivity Calculator as a way of helping levy payers assess how selling decisions impact on profitability.
- A review of our research strategy, looking at future investment funding for 2011-2014, concluded HGCA research should be grouped into four themed areas focusing on improving crop yield, optimising inputs, increasing crop value and preparing the industry for the future. An independent evaluation of six areas of our R&D investment also showed a potential industry benefit of up to £164 million over four years.
- With £200,000 grant funding from the Scottish Government two new HGCA Monitor Farms were set up in the Borders and Aberdeenshire. The year also saw HGCA's work with the Arable Business Groups go from strength to strength with 10 new groups and improvements to the Cropbench costings tool.
- The 2011 'Shake Up Your Wake Up' Farmhouse Breakfast Campaign, supported by BPEX and DairyCo divisions delivered media coverage worth £2.1 million and generated over 700 events. Our nutrition work on oilseeds and wholegrains also saw over 600 health professionals focus on key nutritional messages as part of their Continuous Professional Development (CPD) training.
- There was a doubling of harvest grain consignments with a completed Deoxynivalenol (DON) score following a grower-focused HGCA campaign on its mycotoxin risk assessment. BPEX division also reminded pig producers to check that cereals purchased for feed met mycotoxin requirements.
- The continued development of overseas markets for UK grain was helped by our successful outward missions to Morocco and Algeria. A September seminar with Spanish millers provided an opportunity to build new contacts and gather valuable market information. February's International Bread Baking Workshop and inward mission saw 20 overseas delegates view the supply chain and experience the bread-making qualities of *ukp* and *uks* wheat varieties.
- During the year HGCA saved over £30,000 in print costs through AHDB central procurement.

HGCA performance against key targets 2010/11		
Key Outcome	Target	Performance
HGCA recognised as the UK knowledge house for availability and suitability of UK grain production in relation to home and export requirements	Grain supply situation monitored, estimated and communicated	AHDB cereals and oilseeds analysts presented at and/or attended over 100 industry meetings. Traffic to the markets page on the HGCA website increased threefold year-on-year to 198,000 hits
Increased development of markets overseas	Support for existing and new trade continued. Direct support for export trade provided	Four outward British Crop Exports (BCE) missions and one commercial inward mission. Bread Baking Workshop held in February. Promotion of <i>ukp</i> and <i>uks</i> at the Baltic Grain Exchange and European Bourse events. Five varieties approved for <i>uks</i> use and one for <i>ukps</i> in 2011/12 Recommended List
Enhanced sustainable and competitive crop production in UK through focused R&D programme	Information on new varieties disseminated. Cost-effective management of R&D portfolio	27 new varieties added to 11/12 HGCA Recommended Lists. 31% increase in traffic year-on-year to the varieties page on www.hgca.com. A gap analysis of the current R&D portfolio was conducted to inform decisions on commissioning of new projects
Assist UK industry to raise its competitiveness	Promotion of business management improvement on farm. Increased proportion of farmers knowing their costs	Roll-out of feed sensitivity price calculator as part of 10/11 grain market workshops. Ten new arable business groups established in 2010/11. Significant updates to Cropbench costings tool. Two new Scottish Monitor Farms developed
Raise consumer understanding of the nutritional qualities of cereals and oilseeds	Development of the Rapeseed Oil, Wholegrain Goodness and 'All About Oats' campaigns	114 million opportunities to see the 2011 'Farmhouse Breakfast Campaign'. Uptake of rapeseed oil and oats campaign messages by 600+ healthcare professionals

## HDC Division

### Supporting the Horticulture Industry in Great Britain

Our work programme during 2010/11 was aimed principally at commissioning and managing an applied research programme to answer crop protection and production problems identified by commercial horticultural producers in the UK. We also undertook a wide range of associated communications activities and continued to run our Specific Off-label Approval (SOLA) programme.

More over-arching issues that cut across a number of horticultural crop sectors were also addressed, such as sustainable resource use. We also tackled the viability of our applied research contractor base via the launch of the HDC/East Malling Trust (EMT)/Horticultural Trades Association (HTA) Fellowship scheme.

#### Delivery highlights for 2010/11

- We demonstrated our ability to drive value for levy payers from collaboration with other AHDB divisions by making contributions to two large ongoing Sustainable Arable LINK projects (one on the impact of *Sclerotinia* disease and one on insecticide resistance). Both have funding from HDC, HGCA, Potato Council, Defra and other industry partners.
- We responded to the Defra consultation on reducing the horticultural use of peat in England. This is a key document in terms of its potential economic impact on the UK horticulture industry, with Defra estimating the costs of achieving a peat-free status by 2030 being over £400 million for the sector. HDC put forward a reasoned case for the industry built on a range of case studies from leading horticultural businesses.
- GrowSave is a knowledge transfer hub for energy saving and sustainability in protected crops (ornamentals and edibles) which was continued during the year. Delivery routes to industry included
  - a one-stop-shop website ([www.growsave.co.uk](http://www.growsave.co.uk)), focus nurseries for on-site demonstrations, energy training workshops and an annual conference and printed Energy News updates.
- A small research project screening UK asparagus crops for virus infection (cost £5,000) is an example of HDC reacting quickly to an industry issue. The work showed that the entire asparagus stock surveyed was infected with at least one virus. A subsequent project has now been commissioned to further investigate the impact of this issue.
- Formalin was widely used by the UK industry to assist with the efficacy of Hot Water Treatment for the control of *Fusarium* and stem nematode (*Ditylenchus dipsaci*) but can no longer be used. A programme of work costing £45,000 over several years has assessed possible replacement products on both a laboratory and field basis. Effective treatments identified include chlorothalonil for *Fusarium* control which is now widely used by growers.
- Following a jointly-funded research project (Defra, industry and HDC via the HortLINK scheme) which clearly showed that the insect-attacking fungus *Metarhizium anisopliae* kills black vine weevil in soil as well as in soil-less substrates for field-grown strawberries, a commercial product containing this fungus was launched in early 2011 and is being used by UK strawberry growers to control this serious pest.
- Last year, one major benefit to HDC from being part of AHDB was the ability of the AHDB Levy Team to address issues of levy enforcement in a more structured way. This significantly contributed to HDC gross levy income exceeding £6 million for the first time, c.14% up on the previous year.

HDC performance against key targets 2010/11		
Key Outcome	Target	Performance
Scope and evaluate market information sources	Brief HDC Board members on findings	Scoping study commissioned to identify data sources and benefit of levy payers; HDC board briefed on 11 January 2011
Balanced integrated R&D and KT strategy and action plans that meet industry, government, consumer needs	Develop agreed strategies for water and energy use, GHG reduction, labour and waste and detailed time-based crop protection action plan	HDC Strategic review process largely completed in period August 2010 to March 2011
Minimise impact to industry of 91/414 legislation	Develop robust Integrated Pest Management (IPM) programmes and novel crop protection methods, mainly using HortLINK-based project	HortLINK SCEPTRE project approved by Horticulture LINK PMC; grant offer from Defra and project now underway
Revised communications policy and approaches implemented to maximise grower uptake of HDC R&D output	Apply the revised HDC communications policy and approaches in all subsequent communications activities	Strategic communications plan now developed and to be implemented during 2011/12
Supply of educated and skilled people from educational institutes correctly matched to the demand from horticultural businesses	Continue to fund mix of Collaborative Awards in Science and Engineering (CASE), PhD studentships and KT projects; devise/implement 'intern' programme; build training programmes in partnership with other stakeholders	HDC studentship scheme on track for 2010; KTP project now underway on skills in the ornamentals industry; HDC involved in several Advanced Training Partnership (ATP) bids with other AHDB divisions
Levy payer confidence and commitment maintained; contractor base underpinned where possible	Continually updated list of commissioned projects	Commissioning and delivery of R&D and KT programme on track; system in place to track research programme. HDC/EMT/HTA Fellowship scheme launched 1 Dec 2010 and applications evaluated by March 2011 to help underpin contractor base



## Potato Council Division

### Supporting the Potato Industry in Great Britain

In the 12 months to 31 March 2011, we continued to develop our core R&D and KT programmes to improve competitiveness for levy paying businesses. We implemented a new marketing strategy to sustain demand for potatoes. We also added three new work streams during the year to:

1. Highlight the importance of the potato to key influencers and stakeholders
2. Assist our seed industry in exploiting high value markets
3. Work with trade bodies and grow our collective voice on sustainability and stewardship issues.

#### Delivery highlights for 2010/11

- We secured an additional €300,000 investment towards educating young consumers about potatoes and inspiring them to add new meals to their repertoires. Activity delivered a 50% increase in media coverage and online recipe visits (total 1.3m): contributing to an 11% attitude shift in young singles and couples, who under-index on potato consumption.
- By working with credible third parties to build a robust, peer-reviewed evidence-base on nutritional properties of potatoes, we capitalised on the opportunity presented by the Fruit and Vegetable Task Force resulting in a more positive position for potatoes in government campaigns and have supported the campaign to include potatoes in '5 A Day'.
- To help protect the quality of British seed, we have continued working with HGCA division and other stakeholders to raise awareness to all cereal and potato farmers of the 'vulnerability' of seed potatoes to glyphosate exposure. Over 6,000 copies of specific literature were distributed to farmers and industry by the partnership organisations involved.
- Our research programme established that current fertiliser recommendations can be improved by adopting better cultivation and irrigation strategies. By avoiding untimely cultivations that damage soils, growers improve soil stability, reduce consumption of energy, increase the efficiency of Nitrogen (N) use by the crop and minimise N loss to the environment.
- Following a major reinvestment supported by East Midlands Development Agency (EMDA), our team at our Sutton Bridge Crop Storage Research facility has worked with Farm Energy to measure energy use in 35 potato stores across a wide range of building types, environmental control systems and target markets. It has highlighted major variations in efficiency with some stores costing as little as a third less to run than the poorest examples. Further work is now investigating the key factors behind this variance.
- In the last 12 months the provision of Market Intelligence has been developed, including reduced reliance on external contractors and a move from the remaining postal distribution to electronic distribution, saving significant postal and administration costs.
- We increased the market reports provided to levy payers by buying data collaboratively with other AHDB divisions, saving 60% on one purchase. Two new reports are now issued quarterly – foodservice and consumer in home consumption.
- A Defra LINK project, involving all AHDB divisions, has developed a novel 'Near infra-red' sensor to improve measurement of nutrients in manures and slurry. This new tool for agriculture will enable more efficient use to be made of organic fertilisers.

Potato Council performance against key targets 2010/11		
Key Outcome	Target	Performance
R&D and KT strategies endorsed/utilised by industry	New projects commissioned to respond to the EU pesticides review and address priorities for reducing defects and improving storage management	Started 12 new research projects (value £2.89m) addressing industry priorities on agronomy, pest and disease management, including TSB-supported project on free-living nematodes, energy use and sprout suppression
Increase number of schools participating in grow-your-own potatoes project from 45% to 65% by 2013	Develop existing scheme and increase number of participating schools by 1300	Recruited an additional 1600 schools (14%), bringing the total to 13,000 or 60% of GB primary schools
Effective delivery of business-relevant KT	Deliver KT campaigns on blight, aphid management, water, energy management and business improvement with contributions to business improvement clearly stated and understood by industry	Range of KT events delivered outcomes from research projects on agronomy, plant health and storage to more than 1800 people. High scores achieved for event satisfaction. Supported by 116 R&D/KT-related articles in industry journals
Value/tonnage of seed exports continue upwards trend	Effective outward missions to countries identified by industry consultation with good seed export potential. Attend major international trade events as agreed by industry	Delivered successful overseas trade events at Potato Europe 2010 and Fruit Logistica 2011. A collaboration with Scottish Government to negotiate third country import conditions contributed to seed exports of 90,295t, 3.75% increase on the previous three year average
Successful re-launch of Sutton Bridge Crop Storage Research capability and facilities	Sutton Bridge develops according to its revised business plan	New Sutton Bridge store complex commissioned in 2010/11 supported by a 40% grant from EMDA, Defra and the EU worth £270K. It has broader appeal now it is fit for storage of field vegetables and potatoes

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

During 2010/11, the Meat & Livestock Commercial Services Limited (MLCSL) was the most significant wholly-owned commercially trading subsidiary within the AHDB group.

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

All costs were fully accounted for within the company and profits returned to AHDB to supplement levy funds.

### Delivery highlights for 2010/11

- The continued value to the meat supply chain of our independent carcase classification service is underlined by yet another year of increases in the Beef and Pig carcasses classified by the MLCSL Authentication team as a percentage of total British slaughtering.

	2005/06	2006/07	2007/08	2008/09	2009/10	2010/11
Cattle	58.9%	71.2%	72.1%	80.4%	81%	83.9%
Sheep	40.9%	42.5%	38.5%	42.9%	60%	58%
Pigs	62.1%	60.9%	61.9%	65.6%	70%	76.7%

- There were 51 'selection of cattle for slaughter' training events delivered at abattoirs and auction markets on behalf of the EBLEX Beef Better Returns Programme in England. In addition, there were 43 sheep and beef events delivered on behalf of Hybu Cig Cymru (HCC) in Wales. This training helps producers to better assess when their livestock are at their peak for selling, which both maximises the sale money for the producer while also optimising the amount of quality meat the processor can take from the carcase.
- Our consultancy team delivered an assessment of water and energy issues in the beef, sheep and pig abattoir/processing sector. This, together with ongoing work involving the joint development of knowledge and expertise in the edible offal and animal by-products sector and environmental sectors, has contributed to the development of Stage 2 of the EBLEX climate change roadmap and in helping with its export development work.
- The MLCSL equipment team now offer logo tags to our customers who use our Classification Services at their abattoir as well as Company logo tags and labels. By the year end we were supplying MLCSL logo tags to over 20 abattoirs. The logo highlights the Quality and Independent MLCSL service to the suppliers and customers of the Abattoirs. In total, more than 16.5 million tags and labels were sold over the 12-month period.

- The MLCSL equipment team joined up with a delivery partner to provide the abattoir sector bespoke close circuit television (CCTV) packages to help with their animal welfare, humane slaughter and food hygiene compliances. The package includes Multi-camera systems tailored to their needs, personal video recorders and the option of having an independent person independently monitoring the unloading of animals, the lairage and slaughter line.

## Other AHDB trading subsidiaries

### Crop Evaluation Limited

During the year there was one other subsidiary in the AHDB group that actively traded, the Crop Evaluation Limited (CEL).

CEL was used to manage the HGCA work on Recommended Lists for cereal and oilseed-rape varieties for the industry.

At 31 March 2011, a Hive Out agreement transferred CEL's assets and liabilities to AHDB and the company became dormant.

### 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 trading income and operating costs of the Unit are received and incurred directly by AHDB as part of the Potato Council's operating results.

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

# Report on the AHDB Board's statutory committees

## AHDB Audit Committee

The Audit Committee has supervised the development of stronger Board governance on behalf of levy payers, implementing systems that hold the executive to account through greater transparency of reporting, internal audit of key operating systems as well as risk and governance priorities. In particular, the committee has focussed on IT disaster recovery, risk identification and management, improved internal auditing and monitoring the improvement in financial control.

The committee conducted a review of the decisions made by the Board, the executive and the board sub-committee on the location and specification of the AHDB headquarters building, assuring itself that all decisions were made with the interest of the levy payer as the paramount concern. This report confirmed that all major decisions were taken to ensure the best financial outcome for levy payers. Thereafter the decision by HM Treasury to disallow the loan arrangements and the consequential withdrawal of the balance of the Advantage West Midlands grant were responsible for the project cancellation and the resulting impact on our finances.

The committee is satisfied that the general level of management control is sufficient to assure levy payers that the focus of the AHDB organisation is in ensuring good value for the monies raised by the levies in all six sectors.

## AHDB Remuneration Committee

The Remuneration Committee oversaw a year of transition with the departure of the Interim Chief Executive and two other senior interim executive directors. This reflected the organisation's consolidation in Stoneleigh and the transition arrangements put in place to cover the move from six independent organisations into one structure coming to an end. All three senior roles were covered by redundancy arrangements put in place by the legacy levy boards and inherited by the AHDB Board. These were, in our view, unavoidable given their contractual nature and, going forward, we have ensured that no similar arrangements have been entered into: as such, current termination arrangements are now in line with industry norms.

The committee has supervised the introduction of strong performance management and development systems and the harmonisation of key terms and conditions for continuing staff alongside those developed for the new AHDB organisation. A major issue has been to limit the liability to levy payers of the pension arrangements previously entered into by the legacy levy organisations and considerable work has been undertaken to reduce risks and liabilities across the schemes.

## AHDB Nominations Committee

The Nominations Committee put in place an annual process of recruitment for sector board members, following completion of the first three year terms set up at the beginning of 2009 as part of the creation of the AHDB organisation. A consultation and approval process was carried out with the AHDB Board members and resulted in a robust and structured recruitment programme that will now continue on an annual basis.

The recruitment for both independent and industry specific members to the six sector boards will now be phased on an annual basis, which will ensure strong corporate governance in relation to sector board membership. 2011 saw ten vacancies to be filled. The vacancies were advertised in national newspapers and specific industry journals. We received 106 completed applications with 37 shortlisted candidates interviewed and we successfully appointed for all vacant positions.

The next round of recruitment will begin in November 2011 with appointment to boards from the 1 April 2012.



Agriculture & Horticulture  
DEVELOPMENT BOARD

# Agriculture and Horticulture Development Board Financial Statements 2010/11

## Financial Statements 2010/11 Contents

Financial review of the year	19
Statement of the Board's and Chief Executive's responsibilities	20
Statement on internal control 2010/11	21
Remuneration report	25
Audit certificate and report	31
Consolidated statement of comprehensive income	32
Consolidated statement of financial position	33
AHDB statement of financial position	34
Consolidated statement of movement in reserves	35
AHDB statement of movement in reserves	36
Consolidated cash flow statement	37
AHDB cash flow statement	38
Notes to the financial statements	39

# Financial review of the year

## Introduction

AHDB is an executive NDPB sponsored by Defra, created on 1 April 2008. The functions, responsibilities, assets and liabilities of the British Potato Council (BPC); Home Grown Cereals Authority (HGCA); Horticultural Development Council (HDC); The Meat and Livestock Commission (MLC) and the Milk Development Council (MDC) were transferred to the Agriculture and Horticulture Development Board (AHDB). This transfer was in accordance with the Statutory Instrument (the Agriculture and Horticulture Development Board Order 2008), which was made on 28 February 2008.

AHDB's statutory purpose is defined in the AHDB Order 2008 as:

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

AHDB's mission is to provide to the agriculture and horticulture sectors cost-effective, relevant services, which support the sectors' long-term sustainability.

## Corporate governance

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

In keeping with the combined code on corporate governance, the Board has appointed three committees - Audit, Remuneration and Nominations.

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

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

## 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

only be used to the benefit of the sectors from which they were raised.

## Principal risks and uncertainties

The principal risks and uncertainties that face AHDB concern a potential inability to conduct levy payer services in the event of a major business disaster; maintaining income levels to deliver effective services in the event of a major disease (animal and/or crop) outbreak or catastrophic natural disaster; or a Ministerial decision to wind up all or part of AHDB. These risks and the impact, should any of them be realised, are mitigated through our risk management processes to an acceptable level.

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

## Financial results

AHDB's results show a retained deficit of £81k compared with a budget surplus of £2.5m. This variance against budget is mainly due to the cancellation of the new building project for AHDB premises, for which an Advantage West Midlands (AWM) grant receipt of £3.8m had been budgeted. Further non-operating costs incurred on the aborted building project were £1.1m. An operating surplus of £1.56m was achieved against a budget deficit of £265k, due mainly to income exceeding budget by £2.8m. A surplus on the Accumulated Fund (Income and Expenditure Account) of £12.3m is carried forward.

## Pension schemes

In accordance with Government Financial Reporting Manual for the year ended 31 March 2011, AHDB has adopted the full accounting requirements of IAS 19: 'Accounting for Retirement Benefits in Financial Statements of Employers'. There are legacy pension schemes from the Meat and Livestock Commission (MLC) and HGCA with recognition of pension assets and liabilities of £1.4m and £0.6m respectively in the AHDB balance sheet. These assets and liabilities are owned by the MLC and HGCA Pension Schemes and, in accordance with the Pension Scheme Surpluses (Valuation) Regulations 1987, are not available to AHDB.

## Fixed assets

Two of AHDB's freehold properties are now held for resale and have been valued under the provisions of IFRS 5 – Non current assets held for sale – at the lower of carrying value and fair value less estimated costs to sell. The other freehold property to be retained was professionally re-valued as at 31 March 2011. Details of the movements in tangible fixed assets and revaluation reserve during the year are set out in Note 8 to the accounts and the Statement of changes in reserves.

## Employees

AHDB is supported by a dedicated team of permanent staff. The Senior Executive Team (SET) meets regularly and is charged with disseminating policy to staff through a system of divisional team briefings and departmental meetings. AHDB has a policy of equal opportunities and offers employment to a suitably qualified person whenever vacancies occur. We monitor the ethnic, gender and age composition of the existing workforce and of applicants for jobs (including promotion), and the number of people with disabilities within these groups, and will consider and take any appropriate action to address any problems which may be identified as a result of the monitoring process. Absence due to sickness is monitored across the AHDB group and in the year ended 31 March 2011, days lost through sickness equated to 2.36 full time employees, or 0.56% of total attendance.

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

## Payment policy

It is the policy of AHDB to pay accounts according to suppliers' payment terms or, where such terms are not specified, to pay within 30 days of agreement of the amount invoiced. As at 31 March 2011, the amount owing to trade creditors equates to 19 days purchases outstanding (2010: 30 days).

## Environmental issues

AHDB is working towards establishing its own environmental targets. These will be put in place once the organisation has established itself in its final office accommodation on Stoneleigh Park, replacing the various temporary offices it currently occupies. This is planned for completion during the financial year ending 31 March 2012.

## Auditor

The external auditor of AHDB and its subsidiaries is the Comptroller and Auditor General. Services are limited to the statutory audit.

## 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 auditors are 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 auditors are aware of that information.

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

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

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

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

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

# Statement on internal control 2010/11

I took over the role as Chief Executive of the Agriculture and Horticulture Development Board on 1 May 2010, also fulfilling the role of Accounting Officer within AHDB effective from that date. I have therefore been in post since AHDB's last Annual Report and Accounts were approved on 14 June 2010. Richard Lowe had acted as Interim Chief Executive and Accounting Officer from 3 April 2010 to 30 April 2010, after Kevin Roberts relinquished the position of Chief Executive and Accounting Officer of AHDB on 2 April 2010.

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

AHDB is a Non-Departmental Public Body established under the Agriculture and Horticulture Development Board Order 2008 and became operational on 1 April 2008. AHDB levy income comes under Treasury rules for the governance of public money. The Department for Environment, Food and Rural Affairs (Defra) acts as AHDB's 'sponsor' Government department. The AHDB Accounting Officer is accountable to Ministers and devolved administrations on the appropriate use of levy funds and corporate governance standards applicable to public bodies. A Management Statement and Financial Memorandum set out the broad framework within which AHDB and Defra are required to operate in their relationship.

## The purpose of the system of internal control

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. The system of internal control is based on 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 system of internal control has been thoroughly reviewed and further developed within AHDB for the year ended 31 March 2011, and up to the date of approval of the Annual Report and Accounts, and accords with HM Treasury guidance except in relation to the matters described under "Significant internal control issues".

## Leadership

Leadership is given to the risk management process via the AHDB Board, Sector Boards, the Audit Committee and the Senior Executive Team (SET). Between 3 April 2010 and 30 April 2010 Richard Lowe, as Interim Chief Executive, acted as sponsor of AHDB's corporate governance and risk management programme with the Director of Finance and Business Services (FABS) and

Director of Human Resources and Corporate Services (HRCS) acting as key programme managers. I then acted in the capacity of sponsor from 1 May 2010 onwards. There is a risk management policy in place which has been updated during the year and detail as to how the organisation manages risk across the organisation is outlined in the sections below.

## The risk and control framework

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

### Risk Management Policy

AHDB's risk management policy constitutes a key element of its internal control and corporate governance framework and covers AHDB's approach to risk management, roles and responsibilities and key aspects of the risk management process. We have introduced an updated risk management policy and procedures during the year, which are being embedded in throughout the organisation. This has been done through a formal monthly review process (led by the SET Risk Management Committee) and through cascading risk management down through the organisation. The risk policy is available to all staff via the intranet. Training is being provided to senior executives. Risk management is integral throughout the organisation, with risk management included in project management and ongoing activities. The internal audit report on risk management was very positive about our updated policies and procedures.

### Risk appetite

At Board and Audit Committee meetings, the AHDB Board regularly reviews its approach to risk appetite, defined in a formal Statement on Risk Appetite, which provides guidance to management on the level of risk considered appropriate against key areas of strategic interest.

### Risk Register

AHDB has a comprehensive corporate risk register, which identifies headline and sub-risks and scores these on a pre- and post-control basis by likelihood and impact, noting any key preventative and remedial controls in place. The register is kept up-to-date on an ongoing basis and is presented to each SET, AHDB Board and Audit Committee meeting. A risk management committee, consisting of the Directors of Market Intelligence, FABS and HRCS, Head of Communications, a Sector Director and the IT Manager, meets monthly to consider and review the Risk Register in detail and consider potential new risks to be added to the register.

### 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.

## 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.

## Corporate Plan

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

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

## Procurement policy and protocol

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

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

## Information security framework

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

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

IAO's undertake a quarterly risk assessment and report through the AHDB Accounting Officer to Defra, as well as taking specific actions to reduce any identified risk. Furthermore, all staff within AHDB are required to participate in a Data Handling e-learning package developed on behalf of the Cabinet Office. All databases have been reviewed for data risk and for last year AHDB had one data-related incident to report (see page 24).

## Review of effectiveness

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

During my first year in post I have undertaken a detailed familiarisation programme with all Sectors and attended Board meetings in all Sectors as well as AHDB Board, Remuneration and Audit Committee meetings. In addition, I held detailed meetings with both Kevin Roberts, who was Accounting Officer until 2 April 2010, and with Richard Lowe, Accounting Officer until 30 April 2010, in which I familiarised myself with the development of the system of internal control in AHDB from its formation up to the date of my appointment and, in particular, to ascertain whether there were any issues or new risks that had arisen in the current financial year.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Board and the Audit Committee, and a plan to address weaknesses and ensure continuous improvement of the system is in place. AHDB embraces the principles and requirements of good corporate governance. 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, which met six times last year, has a number of key roles in the management of risk, including setting the tone and influencing the culture of risk management within AHDB. This included determining the level of risk that is acceptable in specific areas of activity. It did this by its policy and overall approach.

### Audit Committee

The broad thrust of AHDB's Audit Committee Charter is that the Audit Committee supported the Accounting Officer with a constructive and challenging approach. The remit of the Audit Committee, which met three times last year, is defined to include advising the Accounting Officer on strategic processes for risk control, governance and the statement on internal control as well as considering the planned activity and results of both internal and external audit.

In reviewing the effectiveness of AHDB's internal control the Audit Committee has undertaken the following key activities:

**Internal control:** Gained an understanding of whether internal control recommendations made by internal and external auditors have been implemented by management.

**Financial reporting:** Gained an understanding of the current areas of greatest financial risk and how management 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. Ensured that management responded to recommendations made by the internal auditors.

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

### **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 risks up to the SET for their attention as appropriate.

### **Internal audit**

The internal audit function was outsourced to Grant Thornton from April 2008, when AHDB became operational, until September 2010, when RSM Tenon was contracted by Defra to carry out internal audit work for all Defra departments. The function operates to the standards defined in the Government Internal Audit Standards. The internal audit function has a central role in assessing the robustness of the implementation of the risk management strategy across AHDB. It provides information on the various strengths and weaknesses of the approach and advises on where improvements are necessary and desirable for the good governance of AHDB. The purpose, authority and responsibilities of internal audit are set out in AHDB's Internal Audit Charter.

In accordance with the Government Internal Audit Standards, the scope of internal audit encompassed the whole of the AHDB's risk management practices, governance practices and internal controls. RSM Tenon's agreed work plan is derived from AHDB's assessment and evaluation of risks as documented in the risk register.

The agreed internal audit strategy for AHDB for 2010/11 identified the following activities:

- Risk maturity – risk management process
- Risk management – assurance over red risks
- Corporate Governance
- Core financial systems
- IT Healthcheck
- IT Project planning

All reviews were completed in accordance with the agreed 2010/11 plan, with the exception of the IT reviews which it was agreed would take place in May 2011. The reviews of Corporate Governance and Core financial systems took place in March 2011 and their outcomes will be received and reviewed by the Audit Committee in due course.

The Risk maturity and Risk management audits were completed and reports received and reviewed by the Audit Committee. The outcomes are summarised below:

### **Risk Management – maturity**

RSM Tenon's assessment of AHDB's risk maturity was categorised as 'defined', which falls in line with 63% of government agencies. This is interpreted by RSM Tenon as 'Risk management strategy and policies in place and communicated across the organisation'. In all there were 11 recommendations made, all of which AHDB responded to and agreed that eight of them warranted further action. RSM Tenon stated that all 11 recommendations were advisory and as such were not categorised as high, medium or low.

### **Risk Management – assurance over Red Risks**

RSM Tenon's overall opinion of AHDB in this area, included in their report of February 2011, was indicated as "between amber and green", defined as: "Taking account of the issues identified, the Board can take reasonable assurance that the controls upon which the organisation relies to manage this risk are suitably designed, consistently applied and effective. However, we have identified issues that, if not addressed, increase the likelihood of the risk materialising". Four recommendations were made regarding the application of the control framework, three of medium priority and one low.

### **Significant internal control issues brought forward from 2010**

The major transition project referred to above that took place in 2009/10 did inevitably impact on our control environment, and significant internal control issues were raised by internal and external audit in that year. The main areas raised in 2009/10 and corrective actions taken since then are discussed in the overview below:

**Business Expenses Policy:** It was identified that greater reporting was needed on nature of expenditure. A new expenses policy has been approved by SET, the AHDB Board and Remuneration Committee, to give greater clarity of expenditure, consistency across all divisions and to ensure compliance with HMRC rules.

**Procurement:** The basis for the process is well-established and designed with good controls, there were two areas of medium risk, which have now been completed. Suppliers were accepting orders without the relevant Purchase Order (PO), therefore some sectors were bypassing the controls. Contact was made with all suppliers informing them that only invoices with a valid PO would be processed.

**Segregation of duties:** During the previous year the internal auditors had raised areas of concern in this area, a number of which were addressed by the start of the 2010/11 year. In addition, further improvements have been made in that all BACS/cheque payment requests are now fully reviewed by the Transactions Controller and Finance Director, with each selecting a sample of large/unusual items for review and challenge. This is fully documented on the payment run schedules. In addition all foreign/same day payments are reviewed and signed off by the Finance Director.

**Bank reconciliations:** It was reported that, in the previous year, bank reconciliations had not been maintained robustly and that an unacceptably large number of historical reconciling items had remained unresolved. Weekly, and then from January 2011, daily transaction matching routines have been performed to ensure the system is operating effectively with regard to current transactions. The historical reconciling items in the bank account have been traced and recorded correctly, leaving some historical unmatched book entries which have been written off in the March 2011 accounts. Full bank reconciliations now take place at the end of each month.

#### **New significant control issues raised in 2010/11**

There was one new significant control issue that arose in the year ended 31 March 2011, as discussed below along with the actions taken:

**Personal data loss incident:** During the year an unencrypted laptop was stolen from a member of staff's car while parked overnight in a car park. The risk had been identified but the theft had occurred before mitigating actions had been implemented. Several other cars in the same car park were broken into that night and it is believed this was an opportunist theft. All laptops across AHDB have since been encrypted. The Information Commissioner and Defra were both informed and it had been agreed that no further action needed to be taken.

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

**13 June 2011**

# Remuneration report

## Membership of the Remuneration Committee

Membership of the Remuneration Committee consists of four AHDB Board members appointed by the Board. The Chairman of the Committee – Lorraine Clinton – is an independent AHDB Board member. The other members of the Committee as at 31 March 2011 were Tim Bennett, Stewart Houston and Allan Stevenson. Membership is reviewed periodically or on termination of a member's appointment.

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

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

The Remuneration Committee's function is to:

- Make recommendation to Defra on the remuneration of AHDB Board members
- Set the remuneration for the Sector Board members
- Advise the Board, in consultation with Defra, on the performance objectives and remuneration terms linked to these objectives for the AHDB Chief Executive
- Advise the Board on the total remuneration packages for the senior managers in the AHDB Group, including pay, benefits and pension arrangements – in particular the ongoing recruitment of the senior executive team based at Stoneleigh
- Advise the Board, in consultation with the Chief Executive, on the proposals for any annual review for staff in general.

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

In this context the Remuneration Committee will give full consideration to the best practice provisions for remuneration policy, contracts and compensation. Specifically bonus payments made to senior staff and the Chief Executive were and continue to be based on assessment of individual performance against written and agreed targets.

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

## Methods used to assess whether performance conditions are met

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

## Proportion of remuneration which is subject to performance conditions

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

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

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

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

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

Senior AHDB staff are appointed on permanent contracts. Their notice periods range from 3 to 6 months to reflect the business needs of the 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 2011. Benefits include the provision of a company car, private health cover and, where applicable, other miscellaneous allowances and holiday buy-back arrangements. No other non-cash benefits were provided. For starters and leavers during the year, as detailed in the contracts of employment section below, remuneration is stated for the period in post only.

	For the year ended 31-Mar-11					For the year ended 31-Mar-10
	Basic salary	Bonus	Redundancy paid	Benefits in kind	Total	Total
	£'000	£'000	£'000	£	£'000	£'000
Kevin Roberts: Chief Executive (Leave date 2-Apr-10) (Note 1)	0-5	10-15	215-220	71	225-230	220-225
Richard Lowe: Acting Chief Executive (Start date in role 3-Apr-10, end date 30-Apr-10) (Note 1)	10-15	-	90-95	2,677	100-105	140-145
Tom Taylor: Chief Executive (Start date 1-May -10, equivalent annual salary £150-£155k)	135-140	-	-	9,451	145-150	-
Bernadette Garvey: Interim HR Director (Leave date 30-Apr-10, equivalent annual salary £80-£85k) (Note 1)	5-10	-	130-135	627	140-145	100-105
Jackie Dubury: Director of Human Resources and Corporate Services (Start date with AHDB 15-Mar-10)	80-85	-	-	8,587	90-95	0-5
Nick Allen: Director of EBLEX Sector (Start date 1-Oct-09 in role)	70-75	0-5	-	8,728	85-90	35-40
Mick Sloyan: Director of BPEX Sector	85-90	5-10	-	10,596	100-105	100-105
Rebecca Geraghty: Director of HGCA Sector (Start date in role 1-Jun-09)	65-70	0-5	-	4,837	75-80	60-65
Shaun Tillery: Director of Finance and Business Services (Start and end dates in role 1-Sep-09 to 5-Sep-10, equivalent annual salary £80k-£85k)	80-85	0-5	-	7,001	95-100	50-55
Chris Goodwin: Director of Finance and Business Services (Start date 28-Feb-11, equivalent annual salary £80k-£85k)	5-10	-	-	697	5-10	-
Rob Clayton: Director of Potato Council Sector (Start date in role 22-Feb-10)	65-70	-	-	5,806	70-75	5-10
Duncan Pullar: Interim Director of DairyCo sector (Start date in role 1-Nov-10, equivalent annual salary £70k-£75k)	25-30	-	-	2,904	30-35	-
Ken Boyns: Director of DairyCo Sector (End date in role 31-Oct-10); Director of Market Intelligence (Start date in role: 01-Nov-10)	80-85	5-10	-	8,330	95-100	90-95
Bill Parker: Director of HDC Sector (Start date 25-Aug-09)	65-70	0-5	-	7,401	75-80	40-45
Ian Crute: Chief Scientist (Start date with AHDB 1-Sep-09)	100-105	0-5	-	8,937	110-115	60-65
Andrew Birnie: Director of Market Intelligence (Start and end dates 9-Nov-09 and 31-Oct-10, equivalent annual salary: £80k-£85k)	45-50	0-5	-	5,298	55-60	35-40
Guy Attenborough: Head of Communications (Start date in role 07-Sep-10, equivalent annual salary £70k-£75k)	35-40	-	-	4,403	40-45	-

Note1: As reported last year, the redundancy payments paid to Kevin Roberts, Bernadette Garvey and Richard Lowe were accounted for in the AHDB income and expenditure account for the year ended 31 March 2010 but paid in the year ended 31 March 2011.

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

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

Set out below are details of the contracts of employment for AHDB's senior executive staff as at 31 March 2011.

	Contract start date	Contract expiry date	Contract notice	Unexpired term
Kevin Roberts: Chief Executive	1-Jan-09	02-Apr-10	-	-
Jackie Dubury: Director of Human Resources and Corporate Services	15-Mar-10	Indefinite	6 months	Not applicable
Bernadette Garvey: Interim HR Director	1-Oct-07	30-Apr-10	-	-
Nick Allen: Director of EBLEX Sector	1-Oct-09	Indefinite	6 months	Not applicable
Richard Lowe: Deputy Chief Executive	1-Apr-08	31-Jul-10	-	-
Mick Sloyan: Director of BPEX Sector	1-Oct-02	Indefinite	6 months	Not applicable
Rebecca Geraghty: Director of HGCA Sector	1-Jun-09	Indefinite	6 months	Not applicable
Tom Taylor, Chief Executive	1-May-10	Indefinite	6 months	Not applicable
Shaun Tillery: Director of Finance and Business Services	1-Sep-09	30-Sep-10	-	-
Chris Goodwin: Director of Finance and Business Services	28-Feb-11	Indefinite	6 months	Not applicable
Rob Clayton: Director of Potato Council Sector	22-Feb-10	Indefinite	6 months	Not applicable
Duncan Pullar: Interim Director of DairyCo Sector	01-Nov-10	Indefinite	3 months	Not applicable
Ken Boyns: Director of DairyCo to 31-Oct-10, Director of Market Intelligence from 01-Nov-10	1-Feb-07	Indefinite	6 months	Not applicable
Bill Parker: Director of HDC Sector	25-Aug-09	Indefinite	6 months	Not applicable
Ian Crute: Chief Scientist	1-Sep-09	Indefinite	6 months	Not applicable
Andrew Birnie: Director of Market Intelligence	9-Nov-09	31-Oct-10	-	-
Guy Attenborough: Head of Communications	07-Sep-10	Indefinite	3 months	Not applicable

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

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

Set out below are the Pension Scheme particulars of AHDB's senior executive staff during the year to 31 March 2011.

	Pension Scheme details	Employees contribution rate	Employers contribution rate
Kevin Roberts: Chief Executive	MLC Defined Benefit Scheme	4.0%	8.0%
Richard Lowe: Deputy Chief Executive	MLC Defined Benefit Scheme	6.5%	10.5%
Tom Taylor: Chief Executive	AHDB Group Personal Pension Plan	5.0%	10.0%
Bernadette Garvey: Interim HR Director	MLC Defined Benefit Scheme	6.5%	10.5%
Jackie Dubury: Director of Human Resources and Corporate Services	AHDB Group Personal Pension Plan	5.0%	10.0%
Nick Allen: Director of EBLEX Sector	MLC Defined Benefit Scheme	6.5%	10.5%
Mick Sloyan: Director of BPEX Sector	MLC Defined Benefit Scheme	6.5%	10.5%
Rebecca Geraghty: Director of HGCA Sector	HGCA Defined Benefit Scheme	3.0%	22.1%
Shaun Tillery: Director of Finance and Business Services	MLC Defined Benefit Scheme	6.5%	10.5%
Chris Goodwin: Director of Finance and Business Services	Private pension arrangement	-	-
Rob Clayton: Director of Potato Council Sector	BPC Defined Contribution Scheme	3.5%	6.5%
Ken Boyns: Director of DairyCo Sector then Director of Market Intelligence	MDC Defined Contribution Scheme	5.0%	12.5%
Duncan Pullar: Interim Director of DairyCo Sector	MLC Defined Benefit Scheme	6.5%	10.5%
Bill Parker: Director of HDC Sector	AHDB Group Personal Pension Plan	4.0%	8.0%
Ian Crute: Chief Scientist	Private pension arrangement	-	-
Andrew Birnie: Director of Market Intelligence	Private pension arrangement	-	-
Guy Attenborough: Head of Communications	MLC Defined Benefit Scheme	6.5%	10.5%

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

Set out below are details of the pension benefits accrued at and earned by each of AHDB's senior executive staff who were members of a defined benefit scheme during the year to 31 March 2011.

	Total accrued pension			Cash equivalent transfer value		
	Annual entitlement	Real terms	Annual entitlement		Real terms	
	as at 31-Mar-11	inc in year	as at 31-Mar-10	As at 31-Mar-11	inc/(dec) in year	As at 31-Mar-10
	£'000	£'000	£'000	£'000	£'000	£'000
Kevin Roberts: Chief Executive	-	-	50-55	-	-	1,174
Bernadette Garvey: Interim HR Director	-	-	25-30	-	-	421
Nick Allen: Director of EBLEX Sector	15-20	2.5-5	10-15	195	60	145
Richard Lowe: Deputy Chief Executive	-	-	25-30	-	-	509
Mick Sloyan: Director of BPEX Sector	45-50	0-2.5	45-50	669	10	703
Rebecca Geraghty: Director of HGCA Sector	10-15	1.5-2.0	10-15	113	18	81
Shaun Tillery: Director of Finance and Business Services	-	-	15-20	-	-	145
Guy Attenborough: Head of Communications	10-15	0-2.5	10-15	137	10	127

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

Set out below are details of the pension benefits accrued at and 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 2011.

	Employer's contributions	
	For the year ended	For the year ended
	31-Mar-11	31-Mar-10
	£'000	£'000
Tom Taylor: Chief Executive	14	-
Jackie Dubury: Director of Human Resources and Corporate Services	9	-
Rob Clayton: Director of Potato Council Sector	4	-
Ken Boyns: Director of DairyCo Sector	10	10
Bill Parker: Director of HDC Sector	5	3
Chris Goodwin: Director of Finance and Business Services	-	-

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

### Total accrued pension

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

### Cash equivalent transfer value (CETV)

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

## 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 2011. No other cash or non-cash benefits were provided to AHDB Board members.

	<b>For the year ended 31-Mar-11</b>	For the year ended 31-Mar-10
	<b>£'000</b>	£'000
John Bridge (Chairman AHDB)	<b>90-95</b>	90-95
Tim Bennett (Chairman DairyCo Sector Board)	<b>45-50</b>	45-50
Stewart Houston (Chairman BPEX Sector Board)	<b>45-50</b>	45-50
John Cross (Chairman EBLEX Sector Board)	<b>50-55</b>	55-60
Neil Bragg (Chairman HDC Sector Board)	<b>45-50</b>	40-45
Jonathan Tipples (Chairman HGCA Sector Board)	<b>45-50</b>	45-50
Allan Stevenson (Chairman Potato Council Sector Board)	<b>45-50</b>	45-50
Lorraine Clinton (Independent Director AHDB)	<b>25-30</b>	20-25
Clare Dodgson (Independent Director AHDB)	<b>15-20</b>	10-15
Christopher Bones (Independent Director AHDB)	<b>15-20</b>	10-15

The emoluments of AHDB's Board members during the year ended 31 March 2011 were paid on the basis that a certain number of planned days were worked. This is subject to further reconciliation during the first quarter of the year ending 31 March 2012 and may give rise to further adjustments to the amounts actually paid.

With the exception of John Bridge and Allan Stevenson, all board members have service contracts which commenced on 1 April 2008 for four years, to expire on 31 March 2012. John Bridge's contract commenced on 1 April 2008 for three years, ended on 31 March 2011. He has been succeeded as Chairman by John Godfrey, appointed from 16 May 2011 until 15 May 2014. Allan Stevenson was appointed to the board on 21 July 2008 for four years until 20 July 2012.

Lorraine Clinton's emoluments include payment in respect of duties carried out in the role as Chair of the MLC Defined Benefit and Defined Contribution Pension Schemes.

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

**13 June 2011**



# 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 (AHDB) for the year ended 31 March 2011 under the Natural Environment and Rural Communities Act 2006. These comprise the Consolidated Statement of Comprehensive Income, the Consolidated and AHDB Statements of Financial Position, the Consolidated and AHDB Statements of Cash Flows, the Consolidated and AHDB Statements of Movements in Reserves 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 Chief Executive is 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 Agriculture and Horticulture Development Board's circumstances and have been consistently applied and adequately disclosed; the reasonableness of significant accounting estimates made by the Agriculture and Horticulture Development Board; and the overall presentation of the financial statements. In addition, I read all the financial and non-financial information in the Annual Report to identify material inconsistencies with the audited financial statements. If I become aware of any apparent material misstatements or inconsistencies I consider the implications for my certificate.

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

## Opinion on Regularity

In my opinion, in all material respects the expenditure and income have been applied to the purposes intended by Parliament and the financial transactions 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 Agriculture and Horticulture Development Board's and the group's affairs as at 31 March 2011 and of the group's deficit 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 issued under the Natural Environment and Rural Communities Act 2006;
- the information given in the sections of the Annual Report entitled 'Who we are and what we do', 'AHDB Board and statutory committees', 'Operational report' and 'Financial review of the year' 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;
- the financial statements and the part of the Remuneration Report to be audited are not in agreement with the accounting records;
- I have not received all of the information and explanations I require for my audit;
- the Statement on Internal Control does not reflect compliance with HM Treasury's guidance.

## Report

I have no observations to make on these financial statements.

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

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

**Date**

# Consolidated statement of comprehensive income

for the year ended 31 March 2011

	Note	For the year ended 31-Mar-11 £'000	For the year ended 31-Mar-10 £'000 restated
Income			
Gross levy	2	50,535	48,187
Non-levy sources	2	7,796	9,199
<b>Total income</b>		<b>58,331</b>	<b>57,386</b>
<b>Operating expenditure</b>			
Levy collection	2	(986)	(1,228)
Core strategic activities	2	(54,766)	(53,829)
Current pension service cost	12d	(1,020)	(1,143)
Past pension service cost	12d	-	(918)
<b>Total operating expenditure</b>		<b>(56,772)</b>	<b>(57,118)</b>
<b>Surplus/(deficit) on ordinary activities before interest and taxation</b>		1,559	268
Exceptional re-organisation expenditure	4	(2,030)	(1,176)
Interest receivable	6	9	14
Other finance (expenditure)/income	12d	410	(894)
Pension curtailment cost	12f	-	(606)
<b>Surplus/(deficit) on ordinary activities before taxation</b>		(52)	(2,394)
Taxation	7	(29)	(101)
<b>Deficit for the financial year</b>		<b>(81)</b>	<b>(2,495)</b>
<b>Other comprehensive income</b>			
Deficit for the financial year		(81)	(2,495)
Net gain/(loss) on revaluation of property, plant and equipment		(89)	(316)
Net gain/(loss) on pension liability as a result of changes to actuarial valuations		(1,937)	(9,568)
<b>Total comprehensive income/(expenditure)</b>		<b>(2,107)</b>	<b>(12,379)</b>

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

The notes on pages 39 to 71 are an integral part of these consolidated financial statements.

# Consolidated statement of financial position

as at 31 March 2011

	Note	As at 31-Mar-11		As at 31-Mar-10	
		£'000	£'000	£'000	£'000
<b>Non-current assets</b>					
Property, plant and equipment	8	1,371		3,975	
Intangibles	9	19		43	
Investments	10	1		-	
Pension asset	12f	1,400		3,600	
<b>Total non-current assets</b>			<b>2,791</b>		<b>7,618</b>
<b>Current assets</b>					
Assets held for resale	8	2,700		-	
Inventories	13	20		-	
Trade and other receivables	14	10,189		10,988	
Cash and cash equivalents	15	12,064		13,149	
<b>Total current assets</b>			<b>24,973</b>		<b>24,137</b>
<b>Total assets</b>			<b>27,764</b>		<b>31,755</b>
<b>Current liabilities</b>					
Borrowings				-	
Trade and other payables	16	(12,325)		(12,802)	
Provisions	16	-		-	
<b>Total current liabilities</b>			<b>(12,325)</b>		<b>(12,802)</b>
<b>Non-current assets plus net current assets</b>			<b>15,439</b>		<b>18,953</b>
<b>Non-current liabilities</b>					
Trade and other payables	16	-		-	
Pensions and other post-retirement benefit obligations					
Defra underwrite for redundancy	16	-		-	
Provisions	17	(496)		(1,315)	
Pension liability	12f	(581)		(1,169)	
<b>Total non-current liabilities</b>			<b>(1,077)</b>		<b>(2,484)</b>
<b>Net assets</b>			<b>14,362</b>		<b>16,469</b>
<b>Reserves</b>					
Accumulated funds			12,330		12,736
Total pension reserve			819		2,431
Revaluation reserve			1,213		1,302
Minority interests	10		-		-
<b>Total reserves</b>			<b>14,362</b>		<b>16,469</b>

The financial statements on pages 32 to 71 were approved by the AHDB Board at a meeting on 13 June 2011 and signed on its behalf by:

**John Godfrey**  
Chairman

**Tom Taylor**  
Chief Executive and Accounting Officer

13 June 2011

# AHDB statement of financial position

as at 31 March 2011

	Note	As at 31-Mar-11		As at 31-Mar-10	
		£'000	£'000	£'000	£'000
<b>Non-current assets</b>					
Property, plant and equipment	8	714		3,668	
Intangibles	9	19		43	
Investments	10	650		300	
Pension asset	12f	1,400		3,600	
<b>Total non-current assets</b>			<b>2,783</b>		7,611
<b>Current assets</b>					
Assets held for resale	8	2,700		-	
Inventories	13	-		-	
Trade and other receivables	14	9,518		10,316	
Cash at bank and in hand	15	11,245		12,503	
<b>Total current assets</b>			<b>23,463</b>		22,819
<b>Total assets</b>			<b>26,246</b>		30,430
<b>Current liabilities</b>					
Borrowings				-	
Trade and other payables	16	(12,254)		(12,898)	
Provisions	16	-		-	
<b>Total current liabilities</b>			<b>(12,254)</b>		(12,898)
<b>Non-current assets plus net current assets</b>			<b>13,992</b>		17,532
<b>Non-current liabilities</b>					
Trade and other payables	16	-		-	
Pensions and other post-retirement benefit obligations					
Defra underwrite for redundancy	16	-		-	
Provisions	17	(496)		(1,315)	
Pension liability	12f	(581)		(1,169)	
<b>Total non-current liabilities</b>			<b>(1,077)</b>		(2,484)
<b>Net assets</b>			<b>12,915</b>		15,048
<b>Reserves</b>					
Accumulated funds			10,909		11,430
Total pension reserve			819		2,431
Revaluation reserve			1,187		1,187
<b>Total reserves</b>			<b>12,915</b>		15,048

The financial statements on pages 32 to 71 were approved by the AHDB Board at a meeting on 13 June 2011 and signed on its behalf by:

**John Godfrey**  
Chairman

**Tom Taylor**  
Chief Executive and Accounting Officer

13 June 2011

## Consolidated statement of movement in reserves

for the year ended 31 March 2011

	Accumulated reserve £'000	Pension reserve £'000	Revaluation reserve £'000	Minority interest £'000	Total reserves £'000
Balance at 1 April 2009	15,548	11,678	1,618	4	28,848
Deficit for the year	(2,495)	-	-	-	(2,495)
Minority interest acquisition	4	-	-	(4)	-
Pension (loss)/gain	-	(9,568)	-	-	(9,568)
Deficit on revaluation	-	-	(316)	-	(316)
Other comprehensive income	-	(9,568)	(316)	-	(9,884)
Transfers to pensions reserve	(321)	321	-	-	-
Transfers to revaluation reserve	-	-	-	-	-
Reserves transfers	(321)	321	-	-	-
<b>Balance as at 31 March 2010</b>	<b>12,736</b>	<b>2,431</b>	<b>1,302</b>	<b>-</b>	<b>16,469</b>
Deficit for the year	(81)	-	-	-	(81)
Pension (loss)/gain	-	(1,937)	-	-	(1,937)
Deficit on revaluation	-	-	(89)	-	(89)
Other comprehensive income	-	(1,937)	(89)	-	(2,026)
Transfers to pensions reserve	(325)	325	-	-	-
Transfers to revaluation reserve	-	-	-	-	-
Reserves transfers	(325)	325	-	-	-
<b>Balance as at 31 March 2011</b>	<b>12,330</b>	<b>819</b>	<b>1,213</b>	<b>-</b>	<b>14,362</b>

Reserves are allocated to the reporting segments as detailed below:

EBLEX	2,443	933	-	-	3,376
BPEX	2,666	467	1,187	-	4,320
HGCA	(821)	(581)	-	-	(1,402)
Potato Council	858	-	26	-	884
DairyCo	4,875	-	-	-	4,875
HDC	2,309	-	-	-	2,309
Minority interest	-	-	-	-	-
<b>Total</b>	<b>12,330</b>	<b>819</b>	<b>1,213</b>	<b>-</b>	<b>14,362</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.

### HGCA accumulated reserve position

HGCA's accumulated fund deficit position has been caused primarily by a retained deficit reported in 2010 of £1.8m. This was incurred predominantly in non-operating costs for which HGCA took a 10% higher proportion of re-organisation costs due to a revised calculation, worth an additional £1.3m. HGCA has budgeted to return its accumulated fund into surplus during the year ended 31 March 2012.

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

## AHDB statement of movement in reserves

for the year ended 31 March 2011

	Accumulated reserve £'000	Pension reserve £'000	Revaluation reserve £'000	Total reserves £'000
Balance at 1 April 2009	14,185	11,678	1,503	27,366
Deficit for the year	(2,438)	-	-	(2,438)
Minority interest acquisition	4	-	-	4
Pension (loss)/gain	-	(9,568)	-	(9,568)
Deficit on revaluation	-	-	(316)	(316)
Other comprehensive income	-	(9,568)	(316)	(9,884)
Transfers to pensions reserve	(321)	321	-	-
Transfers to revaluation reserve	-	-	-	-
Reserves transfers	(321)	321	-	-
<b>Balance as at 31 March 2010</b>	<b>11,430</b>	<b>2,431</b>	<b>1,187</b>	<b>15,048</b>
Balance at 1 April 2010	11,430	2,431	1,187	15,048
Deficit for the year	(107)	-	-	(107)
Pension (loss)/gain	-	(1,937)	-	(1,937)
Deficit on revaluation	-	-	-	-
Other comprehensive income	-	(1,937)	-	(1,937)
Transfers to pensions reserve	(325)	325	-	-
Transfers to revaluation reserve	-	-	-	-
Reserves transfers	(325)	325	-	-
AHDB investment in SBEU	(89)			(89)
<b>Balance as at 31 March 2011</b>	<b>10,909</b>	<b>819</b>	<b>1,187</b>	<b>12,915</b>

Reserves are allocated to the reporting segments as detailed below:

EBLEX	1,452	933	-	2,385
BPEX	2,223	467	1,187	3,877
HGCA	(827)	(581)	-	(1,408)
Potato Council	884	-	-	884
DairyCo	4,869	-	-	4,869
HDC	2,308	-	-	2,308
<b>Total</b>	<b>10,909</b>	<b>819</b>	<b>1,187</b>	<b>12,915</b>

## Consolidated cash flow statement

for the year ended 31 March 2011

	For the year ended 31-Mar-11 £'000	For the year ended 31-Mar-10 £'000 restated
<b>Cash flows from operating activities</b>		
Surplus/(deficit) on ordinary activities before taxation	(52)	(2,394)
<b>Adjustments for:</b>		
Interest receivable	(9)	(14)
Depreciation & amortisation	346	588
Current pension service cost	1,020	1,143
Past service cost	-	918
Other finance (expenditure)/income	(410)	894
Pension curtailment cost	-	606
(Loss)/surplus on disposal of property, plant and equipment	-	(2)
Impairment of property, plant and equipment	355	1,059
(Increase)/decrease in inventories	(20)	50
(Increase)/decrease in trade and other receivables	861	(579)
Increase/(decrease) in trade and other payables	(466)	1,928
(Decrease)/Increase in provisions	(819)	(7,001)
Tax paid	(105)	(410)
Pension contributions paid	(935)	(3,882)
<b>Cash flows from operating activities</b>	<b>(234)</b>	<b>(7,096)</b>
<b>Cash flows from investing activities</b>		
Interest received	9	14
Payments to acquire property, plant and equipment	(860)	(671)
Receipts from sale of property, plant and equipment	-	16
<b>Cash flows from investing activities</b>	<b>(851)</b>	<b>(641)</b>
<b>Increase / (decrease) in cash and cash equivalents</b>	<b>(1,085)</b>	<b>(7,737)</b>
Balance at 1 April	13,149	20,886
Net change in cash and cash equivalents	(1,085)	(7,737)
<b>Balance at 31 March</b>	<b>12,064</b>	<b>13,149</b>

## AHDB cash flow statement

for the year ended 31 March 2011

	For the year ended 31-Mar-11 £'000	For the year ended 31-Mar-10 £'000 restated
<b>Cash flows from operating activities</b>		
Deficit on ordinary activities before taxation	(78)	(2,417)
<b>Adjustments for:</b>		
Interest receivable	(9)	(9)
Depreciation	347	588
Current pension service cost	1,020	1,143
Past service cost	-	918
Other finance (expenditure)/income	(410)	894
Pension curtailment cost	-	606
(Loss)/surplus on disposal of property, plant and equipment	-	(2)
Impairment of property, plant and equipment	355	1,059
Decrease/(increase) in inventories	-	50
(Increase)/decrease in trade and other receivables	860	(1,072)
Increase/(decrease) in trade and other payables	(643)	2,911
(Decrease)/Increase in provisions	(819)	(7,001)
Tax paid	(94)	(220)
Pension contributions paid	(935)	(3,882)
<b>Cash flows from operating activities</b>	<b>(406)</b>	<b>(6,434)</b>
<b>Cash flows from investing activities</b>		
Interest received	9	9
Payments to acquire property, plant and equipment	(422)	(664)
Receipts from sale of property, plant and equipment	-	16
Payments to subsidiary	(439)	16
<b>Cash flows from investing activities</b>	<b>(852)</b>	<b>(639)</b>
<b>Decrease in cash</b>	<b>(1,258)</b>	<b>(7,073)</b>
Balance at 1 April	12,503	19,576
Net change in cash and cash equivalents	(1,258)	(7,073)
<b>Balance at 31 March</b>	<b>11,245</b>	<b>12,503</b>



# Notes to the financial statements

## 1. Principal accounting policies

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

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

### 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'. 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. As reported elsewhere in the Report, Defra held a workshop to debate the future of AHDB with representatives of the agriculture and horticulture industries in March 2011. The final recommendations, agreed by the Minister of State for Agriculture and Food, were published in June 2011, and aim to further develop AHDB as the main professional body on farming and agriculture. The Board considers the application of the going concern basis to be fully applicable for the foreseeable future.

### Consolidation

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

### Segmental Reporting

In addition to presenting the consolidated financial results and financial position in the financial statements, we provide a breakdown of those results and balances into our business segments in line with IFRS 8 'Segmental Reporting'. The presentation of segmental information is based on management responsibilities that existed at 31 March 2010 and the external and regulatory environments in which we operate. Our business segments are EBLEX, BPEX, HGCA, PCL, DairyCo, HDC, and AHDB corporate. The segmental reporting disclosures can be found in Note 2.

### Changes to accounting policies

In previous years, a notional average cost of capital employed during the year was shown in the income statement, as required under the FReM. As this requirement has been withdrawn, AHDB has changed its accounting policy in this respect and has restated the comparative 2010 income statement to reflect this change. The opening position has not been restated as the Consolidated statement of financial position remains unaffected by this change.

### Levy income

AHDB raises a statutory levy from the meat and livestock (cattle, sheep and pigs) sector in England; commercial horticulture, milk and potato sectors in Great Britain; and cereals and oilseeds sector in the UK.

Levy income is based on the latest available estimates of sector-specific levy quantities, as billable within the provisions of Schedule 3 of the AHDB Order 2008. The value of levies recognised in the financial statements, is a combination of actual levies invoiced during the year and an accrual for any non-invoiced levy income for the same period.

#### a) Red meat levies

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

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.

# Notes to the financial statements

## 1. Principal accounting policies (continued)

### Levy income (continued)

#### c) Horticulture levies

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.

#### c) Milk levies

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.

#### d) Potato levies

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.

#### e) Cereals and oilseeds levies

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.

### Government grants

Government grant income to AHDB is for the delivery of specific programmes of work and is recognised in the income and expenditure account in the period in which it becomes receivable. Grant and other operating expenditure are charged to the income and expenditure account as incurred, on an accruals basis.

### Research and development expenditure

Research and development expenditure is charged to the income and expenditure account as incurred, on an accruals basis. Research and development expenditure is not capitalised to the Balance Sheet, due to the Statutory Instrument preventing AHDB from restricting access of other parties to future benefits of the research activities undertaken by AHDB. Consequently, as a result, the research and development expenditure does not meet the requirements for capitalisation under IAS 38 'Intangible Assets'.

# Notes to the financial statements

## 1. Principal accounting policies (continued)

### Finance and operating leases

Operating lease rentals are charged to the Statement of comprehensive income in equal annual instalments over the lease term.

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

### Exceptional items

Exceptional items are those significant items which are separately disclosed by virtue of their size or incidence to enable a full understanding of the group's financial performance. Transactions which may give rise to exceptional items are principally costs associated with AHDB's co-location at Stoneleigh as they meet the criteria required by IAS 1 'Presentation of Financial Statements' by being the costs of a fundamental re-organisation or restructuring.

### 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 an annual professional valuation as at the end of the financial year. 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.

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

- Freehold buildings: 10 to 50 years
- Leasehold buildings: Life of lease
- Plant and machinery: 3 to 10 years
- Furniture 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.

### 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 objective evidence that the AHDB will not be able to collect all amounts due according to the original terms.

### 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.

# 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 scheme

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 balance sheet 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 the statement of recognised income and expense. The actuarial valuations are obtained at least triennially and are updated at each balance sheet 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 balance sheet represent the present value of the defined benefit obligations, as reduced by the fair value of scheme assets and any unrecognised past service cost.

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

More detailed information can be found in note 12 to the accounts.

#### b) Defined contribution scheme

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

### 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 consolidated income statement 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

### 2a. Analysis of income and expenditure by segment: actual for the year ended 31 March 2011

	EBLEX division	BPEX division	HGCA division	Potato Council division	DairyCo division	HDC division	AHDB corporate centre	AHDB Group total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income</b>								
Gross levy	12,920	7,735	10,800	6,035	6,839	6,206	-	50,535
<i>Non-levy sources:</i>								
Fee and grant income	1,322	924	149	485	293	180	158	3,511
Commercial services income	2,857	1,428	-	-	-	-	-	4,285
<i>Sub-total non-levy sources</i>	4,179	2,352	149	485	293	180	158	7,796
<b>Total income</b>	17,099	10,087	10,949	6,520	7,132	6,386	158	58,331
<b>Operating expenditure</b>								
Levy collection	(255)	(137)	(449)	(52)	(46)	(47)	-	(986)
<i>Core strategic activities:</i>								
Research and development and knowledge transfer	(2,694)	(2,868)	(5,167)	(2,634)	(3,649)	(3,745)	-	(20,757)
Promotion	(6,903)	(2,834)	(619)	(1,678)	(770)	-	-	(12,804)
International	(325)	(324)	(322)	-	-	-	-	(971)
Supply chain integration	(971)	(214)	(269)	(310)	-	-	-	(1,764)
Market intelligence	(1,159)	(670)	(586)	(364)	(579)	-	-	(3,358)
Communications	(521)	(391)	(796)	(141)	(696)	(783)	-	(3,328)
Support	(963)	(958)	(1,486)	(1,423)	(1,329)	(939)	-	(7,098)
Commercial services	(3,124)	(1,562)	-	-	-	-	-	(4,686)
<i>Sub-total core strategic activities:</i>	(16,660)	(9,821)	(9,245)	(6,550)	(7,023)	(5,467)	-	(54,766)
Current pension service cost	(600)	(300)	(120)	-	-	-	-	(1,020)
Past service cost	-	-	-	-	-	-	-	-
<b>Total operating expenditure</b>	(17,515)	(10,258)	(9,814)	(6,602)	(7,069)	(5,514)	-	(56,772)

## Notes to the financial statements

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

	EBLEX division	BPEX division	HGCA division	Potato Council division	DairyCo division	HDC division	AHDB corporate centre	AHDB Group total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Surplus on ordinary activities before interest and taxation</b>	(416)	(171)	1,135	(82)	63	872	158	1,559
Reallocate exceptional reorganisation expenditure 2008/09 on new basis	-	-	-	-	-	-	-	-
Exceptional expenditure	(338)	(233)	(805)	(315)	(122)	(59)	(158)	(2,030)
Interest receivable	1	2	(0)	-	4	2	-	9
Other finance expenditure	267	133	10	-	-	-	-	410
Pension curtailment (loss)/gain	-	-	-	-	-	-	-	-
<b>Deficit on ordinary activities before taxation</b>	(486)	(269)	340	(397)	(55)	815	-	(52)
Taxation	82	41	0	11	4	(167)	-	(29)
<b>Deficit for the financial year</b>	(404)	(228)	340	(386)	(51)	648	-	(81)
Depreciation included in core strategic activities expenditure	8	8	(16)	59	16	5	267	347

#### AHDB entity

AHDB's income and expenditure account is consolidated with its subsidiaries, as detailed in Note 9. AHDB had a consolidated deficit of £81k for the year ended 31 March 2011 (2010: deficit £2,438k).

#### Assets and liabilities

Assets and liabilities have not been separately reported by division.

#### Exceptional re-organisation expenditure

Exceptional re-organisation expenditure relating to AHDB's co-location at Stoneleigh has been accounted for centrally and allocated to sector divisions on the basis of their respective pre-Levy Board Review support costs, which were updated during last year as reflected within the re-allocation line seen above. This was deemed to be the fairest means of apportioning exceptional re-organisation expenditure back to sector divisions by the AHDB Board. This figure includes £1,096k in relation to an aborted new build project which has been identified and disclosed as a Constructive Loss, described and disclosed in note 21.

#### Commercial trading subsidiary

The income and expenditure of the trading subsidiary, MLCSL, are included above in the BPEX and EBLEX results as Commercial Service Income and expenditure. From 1 April 2011, MLCSL's results will be reported separately and shown accordingly in the segmental reports for the year ended 31 March 2012 and beyond.

## Notes to the financial statements

### 2b. Analysis of income and expenditure by segment: actual for the year ended 31 March 2010

	EBLEX division	BPEX division	HGCA division	Potato Council division	DairyCo division	HDC division	AHDB corporate centre	AHDB Group total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Income</b>								
Gross levy	12,670	7,564	9,929	5,938	6,744	5,342	-	48,187
<i>Non-levy sources:</i>								
Fee and grant income	866	896	342	436	99	153	1,229	4,021
Commercial services income	3,452	1,726	-	-	-	-	-	5,178
<i>Sub-total non-levy sources</i>	4,318	2,622	342	436	99	153	1,229	9,199
<b>Total income</b>	<b>16,988</b>	<b>10,186</b>	<b>10,271</b>	<b>6,374</b>	<b>6,843</b>	<b>5,495</b>	<b>1,229</b>	<b>57,386</b>
<b>Operating expenditure</b>								
Levy collection	(243)	(123)	(431)	(390)	(22)	(19)	-	(1,228)
<i>Core strategic activities:</i>								
Research and development and knowledge transfer	(2,124)	(2,318)	(5,184)	(2,755)	(2,669)	(4,319)	-	(19,369)
Promotion	(6,916)	(2,948)	(752)	(1,327)	(683)	(47)	-	(12,673)
International	(361)	(123)	(352)	-	(1)	-	-	(837)
Supply chain integration	(200)	(235)	(320)	(403)	-	-	-	(1,158)
Market intelligence	(759)	(660)	(638)	(308)	(516)	-	-	(2,881)
Communications	(1,217)	(310)	(978)	(31)	(585)	(225)	-	(3,346)
Support	(1,300)	(1,091)	(2,284)	(1,236)	(1,675)	(797)	(60)	(8,443)
Commercial services	(3,415)	(1,707)	-	-	-	-	-	(5,122)
<i>Sub-total core strategic activities:</i>	<i>(16,292)</i>	<i>(9,392)</i>	<i>(10,508)</i>	<i>(6,060)</i>	<i>(6,129)</i>	<i>(5,388)</i>	<i>(60)</i>	<i>(53,829)</i>
Current pension service cost	(667)	(333)	(143)	-	-	-	-	(1,143)
Past service cost	-	-	(918)	-	-	-	-	(918)
<b>Total operating expenditure</b>	<b>(17,202)</b>	<b>(9,848)</b>	<b>(12,000)</b>	<b>(6,450)</b>	<b>(6,151)</b>	<b>(5,407)</b>	<b>(60)</b>	<b>(57,118)</b>

## Notes to the financial statements

### 2b. Analysis of income and expenditure by segment: actual for the year ended 31 March 2010 (continued)

	EBLEX division	BPEX division	HGCA division	Potato Council division	DairyCo division	HDC division	AHDB corporate centre	AHDB Group total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>Surplus on ordinary activities before interest and taxation</b>	(214)	338	(1,729)	(76)	692	88	1,169	268
Reallocate exceptional reorganisation expenditure 2008/09 on new basis	488	148	(1,002)	(556)	580	342	-	-
Exceptional expenditure	(673)	(386)	2,918	(4)	-	-	(3,031)	(1,176)
Allocation of AHDB net corporate centre surplus to divisions	(302)	(226)	(765)	(423)	(69)	(80)	1,865	-
Interest receivable	4	3	-	2	6	2	(3)	14
Other finance expenditure	(534)	(266)	(94)	-	-	-	-	(894)
Pension curtailment (loss)/gain	400	200	(1,206)	-	-	-	-	(606)
<b>Deficit on ordinary activities before taxation</b>	(831)	(189)	(1,878)	(1,057)	1,209	352	-	(2,394)
Taxation	(63)	(32)	-	(1)	(4)	(1)	-	(101)
<b>Deficit for the financial year</b>	(894)	(221)	(1,878)	(1,058)	1,205	351	-	(2,495)
Depreciation included in core strategic activities expenditure	(3)	(95)	(58)	(92)	(22)	(3)	(315)	(588)



## Notes to the financial statements

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

	For the year ended 31-Mar-11 £'000	For the year ended 31-Mar-10 £'000
<b>Surplus/(deficit) on ordinary activities before interest and taxation is stated after charging/(crediting)</b>		
<b>Rentals under operating leases:</b>		
- Leasehold property rents	497	483
- Vehicle leases	433	316
- Hire of equipment	297	267
Research and development expenditure	16,508	15,092
Exchange (gains)/losses	(12)	26
<b>Non-cash items:</b>		
Depreciation and amortisation	346	558
Profit on disposal of property, plant and equipment	-	(2)
Loss on disposal of property, plant and equipment	-	-
Impairment of property, plant and equipment	-	-
Provision provided for in year		539
Auditors' remuneration and expenses	159	183

### 4. Exceptional expenditure

	For the year ended 31-Mar-11 £'000	For the year ended 31-Mar-10 £'000
Redundancy	(55)	246
HGCA pension fund enhancement	-	2,000
Property lease termination	-	-
Relocation	(291)	(495)
Recruitment	-	(381)
IT infrastructure	-	(648)
Temporary office refurbishment	-	(304)
Winterhill House running costs	(526)	(298)
Other transition costs	(62)	(237)
Costs relating to aborted building project	(1,096)	-
Impairment of market value of Winterhill House	-	(1,059)
<b>Total exceptional expenditure</b>	<b>(2,030)</b>	<b>(1,176)</b>

# Notes to the financial statements

## 5. Staff numbers and related costs

	For the year ended 31-Mar-11			For the year ended 31-Mar-10		
	Staff with a permanent (UK) employment contract	Other staff engaged on the objectives of AHDB	Total staff	Staff with a permanent (UK) employment contract	Other staff engaged on the objectives of AHDB	Total staff
<b>Numbers employed</b> The average full-time equivalent numbers employed by AHDB during the year were:						
<b>Commercial activities</b>						
Commercial services	105	0	105	132	0	132
<b>Other fee-earning and grant-supported activities</b>						
Non-levy activities			0	5	0	5
<b>Levy-dependent activities</b>						
Research and development and knowledge transfer	113	1	114	93	1	94
Promotion	32		32	48	1	49
International	9		9	4	0	4
Supply chain integration	3	1	4	4	0	4
Market intelligence	31	1	32	31	0	31
Communications	43		43	33	1	34
Support	76	6	82	76	6	82
<b>Total levy-dependent activities</b>	<b>307</b>	<b>9</b>	<b>316</b>	<b>289</b>	<b>9</b>	<b>298</b>
<b>Total</b>	<b>412</b>	<b>9</b>	<b>421</b>	<b>426</b>	<b>9</b>	<b>435</b>
<b>Staff costs</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Salaries	14,656	344	15,000	15,189	312	15,501
Social security costs	1,418	0	1,418	1,335	0	1,335
Other pension costs - current service costs (Note 12d)	1,020	0	1,020	1,143	0	1,143
Past service cost (Note 12d)	0	0	0	918	0	918
Defined contribution scheme costs	592	0	592	484	0	484
<b>Total Staff costs</b>	<b>17,686</b>	<b>344</b>	<b>18,030</b>	<b>19,069</b>	<b>312</b>	<b>19,381</b>

## Notes to the financial statements

### 6. Interest receivable

	For the year ended 31-Mar-11 £'000	For the year ended 31-Mar-10 £'000
Interest receivable	9	14
Share of interest receivable in joint venture	-	-
	<b>9</b>	<b>14</b>
<b>Allocated to accumulated funds</b>		
EBLEX division fund	1	4
BPEX division fund	2	3
HGCA division fund	-	-
Potato Council division fund	1	2
DairyCo division fund	3	6
HDC division fund	2	2
AHDB corporate centre	-	(3)
	<b>9</b>	<b>14</b>

## Notes to the financial statements

### 7. Taxation

	For the year ended 31-Mar-11 £'000	For the year ended 31-Mar-10 £'000
<b>Current tax</b>		
UK corporation tax on commercial profits for the period	-	(12)
Adjustment for timing differences on capital allowances	-	-
UK corporation tax on interest income for the period	(3)	(4)
Under-provision in respect of prior years	(175)	
Over-provision in respect of prior years	149	(85)
Tax on profit on ordinary activities	(29)	(101)
Share of taxation in joint venture		-
	(29)	(101)
<b>Allocated to accumulated funds</b>		
EBLEX division fund	81	(63)
BPEX division fund	41	(32)
HGCA division fund	0	-
Potato Council division fund	12	(1)
DairyCo division fund	4	(4)
HDC division fund	(167)	(1)
	(29)	(101)

The tax on commercial profits assessed for the year differs from the standard rate of corporation tax in the UK (28%, 2010: 28%). The differences are explained below:

	For the year ended 31-Mar-11 £'000	For the year ended 31-Mar-10 £'000 restated
Deficit on ordinary activities before taxation	(52)	(2,394)
Deficit on ordinary activities multiplied by standard rate of corporation tax in the UK of 28% (2009: 28%)	15	670
<b>Effects of:</b>		
Income not chargeable for taxation purposes	15,133	14,618
Expenditure not deductible for taxation purposes	(15,148)	(15,304)
Standard UK corporation tax 28% (2009: 28%) on interest receivable	(3)	(4)
Under-provision in respect of prior years	(175)	(85)
Over-provision in respect of prior years	149	-
Adjustment for small companies rate of corporation tax in the UK (21%)	-	4
Current tax charge for the year	(29)	(101)
Share of taxation in joint venture	-	-
	(29)	(101)

## Notes to the financial statements

### 8. Property, plant and equipment

Group	Land	Buildings	Buildings under construction	Leasehold property	IT equipment	Plant and machinery	Fixtures and fittings	Motor vehicles	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>									
As at 1 April 2009	2,010	2,540	-	311	2,359	1,044	483	228	8,975
Additions	-	-	355	-	260	3	53	-	671
Disposals	-	-	-	-	-	-	-	(57)	(57)
Impairment	-	-	-	-	-	-	-	-	-
Revaluation	(330)	(1,221)	-	-	-	-	-	-	(1,551)
<b>As at 31 March 2010</b>	<b>1,680</b>	<b>1,319</b>	<b>355</b>	<b>311</b>	<b>2,619</b>	<b>1,047</b>	<b>536</b>	<b>171</b>	<b>8,038</b>
As at 1 April 2010	1,680	1,319	355	311	2,619	1,047	536	171	8,038
Additions	-	439	-	-	183	24	214	-	860
Freehold properties are now classified as held for sale and valued on that basis	(1,540)	(1,159)	-	-	-	-	-	-	(2,699)
Disposals	-	-	-	-	(1,051)	-	-	(21)	(1,072)
Impairment	-	(89)	(355)	-	-	-	-	-	(444)
Revaluation	-	-	-	-	-	-	-	-	-
<b>As at 31 March 2011</b>	<b>140</b>	<b>510</b>	<b>-</b>	<b>311</b>	<b>1,751</b>	<b>1,071</b>	<b>750</b>	<b>150</b>	<b>4,683</b>
<b>Depreciation</b>									
As at 1 April 2009	-	-	-	(234)	(1,912)	(954)	(483)	(141)	(3,724)
Charge for year	-	(176)	-	(15)	(270)	(30)	(18)	(49)	(558)
Relating to disposals	-	-	-	-	-	-	-	43	43
Revaluation	-	176	-	-	-	-	-	-	176
<b>As at 31 March 2010</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(249)</b>	<b>(2,182)</b>	<b>(984)</b>	<b>(501)</b>	<b>(147)</b>	<b>(4,063)</b>
As at 1 April 2010	-	-	-	(249)	(2,182)	(984)	(501)	(147)	(4,063)
Charge for year	-	-	-	(26)	(253)	(25)	(1)	(17)	(322)
Freehold properties are now classified as held for sale and valued on that basis	-	-	-	-	-	-	-	-	-
Relating to disposals	-	-	-	-	1,051	-	-	22	1,073
Revaluation	-	-	-	-	-	-	-	-	-
<b>As at 31 March 2011</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(275)</b>	<b>(1,384)</b>	<b>(1,009)</b>	<b>(502)</b>	<b>(142)</b>	<b>(3,312)</b>
<b>Net book amount as at 31 March 2011</b>	<b>140</b>	<b>510</b>	<b>-</b>	<b>36</b>	<b>367</b>	<b>62</b>	<b>248</b>	<b>8</b>	<b>1,371</b>
Net book amount as at 31 March 2010	1,680	1,319	355	62	437	63	35	24	3,975

# Notes to the financial statements

## 8. Property, plant and equipment

AHDB	Land	Buildings	Buildings under construction	Leasehold property	IT equipment	Plant and machinery	Fixtures and fittings	Motor vehicles	Total
	£000	£000	£000	£000	£000	£000	£000	£000	£000
<b>Cost or valuation</b>									
As at 1 April 2009	1,900	2,350	-	311	2,356	193	483	227	7,820
Additions	-	-	355	-	252	4	53	-	664
Disposals	-	-	-	-	(3)	-	-	(54)	(57)
Impairment	-	-	-	-	-	-	-	-	-
Revaluation	(320)	(1,231)	-	-	-	-	-	-	(1,551)
<b>As at 31 March 2010</b>	<b>1,580</b>	<b>1,119</b>	<b>355</b>	<b>311</b>	<b>2,605</b>	<b>197</b>	<b>536</b>	<b>173</b>	<b>6,876</b>
As at 1 April 2010	1,580	1,119	355	311	2,605	197	536	173	6,876
Additions	-	-	-	-	183	24	214	-	421
Freehold properties are now classified as held for sale and valued on that basis	(1,580)	(1,119)	-	-	-	-	-	-	(2,699)
Disposals	-	-	-	-	(1,051)	-	-	(21)	(1,072)
Impairment	-	-	(355)	-	-	-	-	-	(355)
Revaluation	-	-	-	-	-	-	-	-	-
<b>As at 31 March 2011</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>311</b>	<b>1,737</b>	<b>221</b>	<b>750</b>	<b>152</b>	<b>3,171</b>
<b>Depreciation</b>									
As at 1 April 2009	-	-	-	(234)	(1,908)	(103)	(483)	(141)	(2,869)
Charge for year	-	(176)	-	(15)	(270)	(30)	(18)	(49)	(558)
Relating to disposals	-	-	-	-	-	-	-	43	43
Revaluation	-	176	-	-	-	-	-	-	176
<b>As at 31 March 2010</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(249)</b>	<b>(2,178)</b>	<b>(133)</b>	<b>(501)</b>	<b>(147)</b>	<b>(3,208)</b>
As at 1 April 2010	-	-	-	(249)	(2,178)	(133)	(501)	(147)	(3,208)
Charge for year	-	-	-	(26)	(253)	(25)	(1)	(17)	(322)
Freehold properties are now classified as held for sale and valued on that basis	-	-	-	-	-	-	-	-	-
Relating to disposals	-	-	-	-	1,051	-	-	22	1,073
Revaluation	-	-	-	-	-	-	-	-	-
<b>As at 31 March 2011</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(275)</b>	<b>(1,380)</b>	<b>(158)</b>	<b>(502)</b>	<b>(142)</b>	<b>(2,457)</b>
<b>Net book amount as at 31 March 2011</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>36</b>	<b>357</b>	<b>63</b>	<b>248</b>	<b>10</b>	<b>714</b>
Net book amount as at 31 March 2010	1,580	1,119	355	62	427	64	35	26	3,668

# Notes to the financial statements

## 8. Property, plant and equipment (continued)

Freehold property at Sutton Bridge was valued at 31 March 2011 at open market valuation for existing use, in accordance with the Appraisal and Valuation Manual of The Royal Institution of Chartered Surveyors in the United Kingdom by Bidwells, Chartered Surveyors. The valuation was £650k.

### Assets held for resale

The remaining Freehold Properties have been transferred to Assets held for resale and are actively being marketed for sale and re-valued on that basis, at lower of carrying value and net realisable value, of £2.7m. They are included in the Consolidated statement of financial position. There has been no recognisable profit or loss arising from their reclassification as they are both anticipated to realise their carrying values.

The premises consist of the following:

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

Milton Keynes, Winterhill House: Two-storey premises, predominantly office building with ancillary warehouse and storage, totalling 6224sqm (66993sqft), on a site of around 1.469ha (3.63acres), with ample parking. Previously occupied by the Meat and Livestock Commission, now represented in AHDB by BPEX and EBLEX.

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

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

The net book amount at 31 March 2011 of freehold property according to the historical cost convention is:

	£'000
Cost	947
Depreciation	(323)
Net book amount	624

## Notes to the financial statements

### 9. Intangibles

Group	Software licenses £'000
<b>Cost or valuation</b>	
As at 1 April 2009	287
Additions	-
Disposals	-
Impairment	-
Revaluation	-
<b>As at 31 March 2010</b>	<b>287</b>
As at 1 April 2010	287
Additions	-
Disposals	-
Impairment	-
Revaluation	-
<b>As at 31 March 2011</b>	<b>287</b>
<b>Depreciation</b>	
As at 1 April 2009	(214)
Charge for year	(30)
Relating to disposals	-
Revaluation	-
<b>As at 31 March 2010</b>	<b>(244)</b>
As at 1 April 2010	(244)
Charge for year	(24)
Relating to disposals	-
Revaluation	-
<b>As at 31 March 2011</b>	<b>(268)</b>
<b>Net book amount as at 31 March 2011</b>	<b>19</b>
Net book amount as at 31 March 2010	43



# Notes to the financial statements

## 10. Investments

### Sutton Bridge Experimental Unit Limited

Sutton Bridge Experimental Unit Limited (SBEU) is a company limited by shares, with AHDB holding 808,000 £1 nominal value ordinary shares representing 100% of the issued share capital of the company. SBEU owns the freehold land and buildings interest in the potato industry's research and development facility, Sutton Bridge Experimental Unit, and is based in Spalding. SBEU's financial results for the years have been consolidated as part of the financial results for the Potato Council division in the analysis of income and expenditure by segment in Note 3. Its balance sheet forms a part of the AHDB Group consolidated statement of financial position. SBEU had a nil result for the year ended 31 March 2011 (2010: Nil) and its net assets were £650k as at 31 March 2011 (31 March 2010: £300k), the movement represented by an increase in the value of freehold property.

	Group For the year ended 31-Mar-11 £000	AHDB For the year ended 31-Mar-11 £000	Group For the year ended 31-Mar-10 £000	AHDB For the year ended 31-Mar-10 £000
AHDB investment in SBEU	-	650	-	300

### Other subsidiary undertakings

#### Meat and Livestock Commercial Services Limited

Meat and Livestock Commercial Services Limited (MLCSL) is a company limited by guarantee, with AHDB acting as the sole guarantor. The extent of AHDB's investment is the guarantee of £6 in the event of MLCSL being wound up. MLCSL provides data, advice, logistics and inspection services to the red meat industry and is based in Stoneleigh. MLCSL's financial results for the years have been consolidated as part of the financial results for the EBLEX and BPEX divisions respectively in the analysis of income and expenditure by segment in Note 3 and its assets and liabilities form a part of the statement of financial position. MLCSL had a retained surplus of £3k for the year ended 31 March 2011 (2010: surplus £9k) and its net assets were £1.57m as at 31 March 2011 (31 March 2010: £1.54m).

#### Crop Evaluation Limited

Crop Evaluation Limited (CEL) is a company limited by shares, with AHDB holding a £1 nominal value ordinary share representing 100% of the issued share capital of the company. CEL works to produce the annual HGCA Recommended Lists for cereals and oilseeds and is based in Stoneleigh. CEL's financial results for the years have been consolidated as part of the financial results for the HGCA division in the analysis of income and expenditure by segment in Note 3. Its balance sheet forms a part of the AHDB Group consolidated statement of financial position. CEL generated a nil result for the year ended 31 March 2011 (2010: Nil result), as expenditure was equally matched by sales revenue, and its net assets were nil as at 31 March 2011 (31 March 2010: Nil). In order to simplify AHDB's group structure, a Hive Out Agreement transferred CEL assets and liabilities as at 31 March 2011 to AHDB.

#### Milk Development Council Holdings Limited

Milk Development Council Holdings Limited (MDC Holdings) is a company limited by guarantee, with AHDB acting as the sole guarantor. The extent of AHDB's investment is the guarantee of £1 in the event of MDC Holdings being wound up. A hive out agreement was reported and completed as at 31 March 2010, transferring MDC Holdings' assets and liabilities to AHDB, since which date the company has remained dormant.

#### Milk Development Council Evaluations Limited

Milk Development Council Evaluations Limited (MDC Evaluations) provided statistical analysis and reporting of Bull and Cow performance. A hive out agreement was reported and completed as at 31 March 2010, transferring MDC Holdings' assets and liabilities to AHDB, since which date the company has remained dormant. AHDB retains its shareholding as an investment in the statement of financial position of £1k.

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

# Notes to the financial statements

## 11. Financial instruments

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

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

	Group as at 31-Mar-11 £000	Group as at 31-Mar-11 £000
	<b>Loans and receivables</b>	<b>Other Financial Liabilities</b>
<b>Trade receivables</b>		
Levy receivable	4,051	
Receivables for fees	897	
Provision for bad debts	(134)	
Corporation tax	62	
Accrued income (less prepayments)	4,441	
RPA	30	
<b>Cash and Equivalents</b>	12,064	
<b>Trade and other payables</b>		
Trade payables		(2,224)
Accruals		(4,555)
other		(1,039)
VAT		(1,602)
Other tax and SS		(488)
Defra underwrite		(2,036)
PIDS		(75)
CSL		(125)
Defra		(181)
<b>TOTAL</b>	<b>21,411</b>	<b>(12,325)</b>

### Credit and liquidity risk

AHDB is exposed to the usual credit risk and cash flow risk associated with invoicing on credit and manages this through credit control procedures. The nature of its financial instruments means that they are not subject to price risk or liquidity risk.

### Interest rate risk

AHDB is not exposed to any interest rate risk. All surplus funds are placed on deposit with commercial banks at the prevailing deposit interest rate.

### Foreign currency risk

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

# Notes to the financial statements

## 12. Pensions

### 12a. Information about the Schemes

#### Introduction

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

#### 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 the AHDB's income and expenditure account and are determined by a qualified actuary on the basis of annual valuations using the projected unit method.

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

#### HGCA Pension Scheme

Actuarial valuations are usually prepared on a triennial basis. The latest valuation was completed at 1 April 2010 and indicated a funding deficit of £0.9m. Agreement on a recovery plan was reached between the HGCA Pension Plan Trustees and AHDB, concerning the funding of the deficit. This plan specified annual contributions payable monthly of £75k pa from April 2011 to March 2014, and annual contributions payable monthly of £165k from April 2014 to March 2017. AHDB paid an additional £350k to augment the Scheme during the year ended 31 March 2011 as part of the recovery plan agreed under the previous actuarial valuation at 1 April 2007.

### 12b. Principal assumptions

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

	MLC Pension Scheme			HGCA Pension Scheme		
	31-Mar-11 % pa	31-Mar-10 % pa	31-Mar-09 % pa	31-Mar-11 % pa	31-Mar-10 % pa	31-Mar-09 % pa
Price inflation	3.6	3.8	2.9	3.6	3.8	3.0
Rate of increase in pay	4.1	4.3	4.4	4.1	4.3	4.5
Rate of increase of pensions in payment*	2.9	3.8	2.9	2.9	3.8	3.0
Rate of increase for deferred pensioners*	2.9	3.8	2.9	2.9	3.8	3.0
Discount rate	5.5	5.5	6.7	5.5	5.5	6.7

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

## Notes to the financial statements

### 12. Pensions (continued)

#### 12b. Principal assumptions (continued)

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

	MLC Pension Scheme			HGCA Pension Scheme		
	31-Mar-11	31-Mar-10	31-Mar-09	31-Mar-11	31-Mar-10	31-Mar-09
Male currently aged 65	<b>21.8</b>	21.6	21.2	<b>21.8</b>	21.6	22.0
Female currently aged 65	<b>24.7</b>	24.6	24.2	<b>24.7</b>	24.6	24.9
Male currently aged 50	<b>23.9</b>	23.8	22.6	<b>23.9</b>	23.8	-
Female currently aged 50	<b>26.9</b>	26.8	25.6	<b>26.9</b>	26.8	-
Male currently aged 45	-	-	-	-	-	22.0
Female currently aged 45	-	-	-	-	-	24.9

	MLC Pension Scheme			HGCA Pension Scheme		
	Long-term rate of return expected			Long-term rate of return expected		
	31-Mar-11 % pa	31-Mar-10 % pa	31-Mar-09 % pa	31-Mar-11 % pa	31-Mar-10 % pa	31-Mar-09 % pa
Scheme assets	<b>5.6</b>	5.9	5.8	<b>5.6</b>	5.9	4.9

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

Equity: The rate adopted is 8.2% pa, which is 0.6% lower than the rate adopted as at 31 March 2010. This reflects the decrease in inflation and reduction in expected real returns.

Bonds: The rate adopted is 4.4% pa (2010: 4.6%) and is a weighted average rate for the Scheme target bond allocation. This is based on a rate of 4.2% pa on fixed interest gilts, 4.3% pa on index linked gilts and 5.0% on corporate bonds.

#### 12c. Assets

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

	MLC Pension Scheme			HGCA Pension Scheme		
	31-Mar-11 % pa	31-Mar-10 % pa	31-Mar-09 % pa	31-Mar-11 % pa	31-Mar-10 % pa	31-Mar-09 % pa
Equities	<b>30.9</b>	31.5	28.7	<b>45.0</b>	36.0	35.4
Corporate bonds	-	13.6	13.4	-	45.0	49.5
Gilts	<b>69.2</b>	54.9	57.7	<b>53.0</b>	-	-
Annuities	-	-	-	<b>1.0</b>	4.0	5.3
Cash	<b>-0.1</b>	-	0.2	<b>1.0</b>	15.0	9.8

# Notes to the financial statements

## 12. Pensions (continued)

### 12d. Components of defined benefit cost for the year ended 31 March 2011

Analysis of amounts charged to income and expenditure:

	MLC Pension Scheme			HGCA Pension Scheme			Total Pension Schemes		
	For the year ended 31-Mar-11 £'000	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-11 £'000	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-11 £'000	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000
<b>a. Current service cost</b>	<b>(900)</b>	(1,000)	(1,300)	<b>(120)</b>	(143)	(474)	<b>(1,020)</b>	(1,143)	(1,774)
<b>b. Past service cost</b>		-	-	-	(918)	-	-	(918)	-
<b>c. Pension curtailment (loss)/gain</b>		600	-	-	(1,206)	-	-	(606)	-
<b>d. Total charged to income and</b>	<b>(900)</b>	(400)	(1,300)	<b>(120)</b>	(2,267)	(474)	<b>(1,020)</b>	(2,667)	(1,774)

Analysis of the amount (charged)/credited to other finance income:

	MLC Pension Scheme			HGCA Pension Scheme			Total Pension Schemes		
	For the year ended 31-Mar-11 £'000	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-11 £'000	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-11 £'000	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000
<b>e. Interest on Scheme liabilities</b>	<b>(10,800)</b>	(10,100)	(10,800)	<b>(952)</b>	(695)	(758)	<b>(11,752)</b>	(10,795)	(11,558)
<b>f. Expected return on assets in the Scheme</b>	<b>11,200</b>	9,300	11,900	<b>962</b>	601	869	<b>12,162</b>	9,901	12,769
<b>g. Net (debit)/credit to other finance income</b>	<b>400</b>	(800)	1,100	<b>10</b>	(94)	111	<b>410</b>	(894)	1,211
<b>Total I&amp;E charge before deduction for tax (tax nil) d + g</b>	<b>(500)</b>	(1,200)	(200)	<b>(110)</b>	(2,361)	(363)	<b>(610)</b>	(3,561)	(563)

# Notes to the financial statements

## 12. Pensions (continued)

### 12d. Components of defined benefit cost for the year ended 31 March 2011

Analysis of the amounts recognised in statement of reserves:

	MLC Pension Scheme			HGCA Pension Scheme			Total Pension Schemes		
	For the year ended 31-Mar-11 £'000	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-11 £'000	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-11 £'000	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000
h. (Loss)/gain on assets	<b>31,000</b>	(12,300)	(24,200)	<b>(430)</b>	2,403	(2,294)	<b>30,570</b>	(9,897)	(26,494)
i. Experience (loss)/gain on liabilities	-	(600)	-	<b>3,248</b>	(5,371)	2,812	<b>3,248</b>	(5,971)	2,812
j. Gain on change of assumptions (financial and demographic)	-	-	-	-	-	-	-	-	-
k. Effect of the limit in paragraph 37 of FRS 17	<b>(33,200)</b>	6,300	21,400	<b>(2,555)</b>	-	-	<b>(35,755)</b>	6,300	21,400
<b>l. Total (loss)/gain recognised in STRGL before adjustment for tax</b>	<b>(2,200)</b>	(6,600)	(2,800)	<b>263</b>	(2,968)	518	<b>(1,937)</b>	(9,568)	(2,282)

### 12e. History of experience gains and losses

	MLC Pension Scheme			HGCA Pension Scheme			Total Pension Schemes		
	For the year ended 31-Mar-11 £'000	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-11 £'000	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-11 £'000	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000
a. (Loss)/gain on Scheme assets:									
Amount (£'000)	<b>2,000</b>	(12,300)	(24,200)	<b>(430)</b>	2,403	(2,294)	<b>1,570</b>	(9,897)	(26,494)
% of Scheme assets at end of year	<b>0</b>	(0)	(0)	<b>(0)</b>	0	(0)	<b>0</b>	(0)	(0)
b. Experience (loss)/gain on Scheme liabilities:									
Amount (£'000)	<b>10,900</b>	800	(1,100)	<b>(10)</b>	94	15	<b>10,890</b>	894	(1,085)
% of Scheme assets at end of year	<b>0</b>	0	(0)	<b>(0)</b>	0	0	<b>0</b>	0	(0)
c. Total actuarial (loss)/gain recognised in SORIE:									
Amount (£'000)	<b>(2,200)</b>	(6,600)	(2,800)	<b>263</b>	(2,968)	518	<b>(1,937)</b>	(9,568)	(2,282)
% of Scheme assets at end of year	<b>-1.02%</b>	-3.10%	-1.54%	<b>1.56%</b>	-18.19%	4.61%	<b>-0.83%</b>	-4.17%	-1.18%

# Notes to the financial statements

## 12. Pensions (continued)

### 12f. Reconciliation to the statement of financial position

	MLC Pension Scheme			HGCA Pension Scheme			Total Pension Schemes		
	For the year ended 31-Mar-11 £'000	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-11 £'000	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-11 £'000	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000
a. Market value of Scheme assets	215,400	213,000	182,100	16,819	16,314	11,243	232,219	229,314	193,343
b. Actuarial value of Scheme liabilities	(173,100)	(201,700)	(156,500)	(14,845)	(17,483)	(10,565)	(187,945)	(219,183)	(167,065)
c. Surplus/(deficit) in the Scheme	42,300	11,300	25,600	1,974	(1,169)	678	44,274	10,131	26,278
d. Irrecoverable surplus	(40,900)	(7,700)	(14,600)	(2,555)	-	-	(43,455)	(7,700)	(14,600)
e. Pension asset/(liability) recognised in balance sheet (before allowance for deferred tax (deferred tax nil))	1,400	3,600	11,000	(581)	(1,169)	678	819	2,431	11,678

### 12f. 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-11 £'000	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-11 £'000	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000	For the year ended 31-Mar-11 £'000	For the year ended 31-Mar-10 £'000	For the year ended 31-Mar-09 £'000
Surplus/(deficit) in the Scheme at start of year	3,600	11,000	13,600	(1,169)	678	(248)	2,431	11,678	13,352
Contributions paid	500	400	400	435	3,482	771	935	3,882	1,171
Current service cost	(900)	(1,000)	(1,300)	(120)	(143)	(474)	(1,020)	(1,143)	(1,774)
Past service cost	-	-	-	-	(918)	-	-	(918)	-
Pension curtailment (loss)/gain	-	600	-	-	(1,206)	-	-	(606)	-
Other finance income	400	(800)	1,100	10	(94)	111	410	(894)	1,211
Actuarial (loss)/gain	(2,200)	(6,600)	(2,800)	263	(2,968)	518	(1,937)	(9,568)	(2,282)
Surplus/(deficit) in the Scheme at end of year	1,400	3,600	11,000	(581)	(1,169)	678	819	2,431	11,678

For the HGCA Pension Scheme, the contributions paid for the year ended 31 March 2011 of £435k (2010: £3,482k) includes the additional Scheme augmentation component of £351k (2010: £351k) referred to in 13a.

# Notes to the financial statements

## 12. Pensions (continued)

### 12g. Changes in disclosed assets and liabilities

Change in Scheme liabilities:

	MLC Pension Scheme			HGCA Pension Scheme			Total Pension Schemes		
	For the year ended	For the year ended	For the year ended	For the year ended	For the year ended	For the year ended	For the year ended	For the year ended	For the year ended
	31-Mar-11 £'000	31-Mar-10 £'000	31-Mar-09 £'000	31-Mar-11 £'000	31-Mar-10 £'000	31-Mar-09 £'000	31-Mar-11 £'000	31-Mar-10 £'000	31-Mar-09 £'000
Scheme liabilities at start of year	<b>(201,700)</b>	(156,500)	(163,100)	<b>(17,483)</b>	(10,565)	(12,363)	<b>(219,183)</b>	(167,065)	(175,463)
Employer service cost	<b>(900)</b>	(1,000)	(1,300)	<b>(120)</b>	(143)	(474)	<b>(1,020)</b>	(1,143)	(1,774)
Interest cost	<b>(10,800)</b>	(10,100)	(10,800)	<b>(952)</b>	(695)	(758)	<b>(11,752)</b>	(10,795)	(11,558)
Scheme participants' contributions	<b>(200)</b>	(200)	(200)	<b>(15)</b>	(20)	(52)	<b>(215)</b>	(220)	(252)
Actuarial gain/(loss)	<b>29,000</b>	(44,000)	9,600	<b>3,248</b>	(5,371)	2,812	<b>32,248</b>	(49,371)	12,412
Past service cost	-	-	-	-	(918)	-	-	(918)	-
Pension curtailment (loss)/gain	-	-	-	-	(1,206)	-	-	(1,206)	-
Benefits paid from Scheme assets	<b>11,500</b>	10,100	9,300	<b>477</b>	1,435	270	<b>11,977</b>	11,535	9,570
Scheme liabilities at end of year	<b>(173,100)</b>	(201,700)	(156,500)	<b>(14,845)</b>	(17,483)	(10,565)	<b>(187,945)</b>	(219,183)	(167,065)

Change in Scheme assets:

	MLC Pension Scheme			HGCA Pension Scheme			Total Pension Schemes		
	For the year ended	For the year ended	For the year ended	For the year ended	For the year ended	For the year ended	For the year ended	For the year ended	For the year ended
	31-Mar-11 £'000	31-Mar-10 £'000	31-Mar-09 £'000	31-Mar-11 £'000	31-Mar-10 £'000	31-Mar-09 £'000	31-Mar-11 £'000	31-Mar-10 £'000	31-Mar-09 £'000
Fair value of assets at start of year	<b>213,000</b>	182,100	212,700	<b>16,314</b>	11,243	12,115	<b>229,314</b>	193,343	224,815
Expected return on assets	<b>11,200</b>	9,300	11,900	<b>962</b>	601	869	<b>12,162</b>	9,901	12,769
Actuarial losses on assets	<b>2,000</b>	31,100	(33,800)	<b>(430)</b>	2,403	(2,294)	<b>1,570</b>	33,503	(36,094)
Employer contributions	<b>500</b>	400	400	<b>435</b>	3,482	771	<b>935</b>	3,882	1,171
Scheme participants' contributions	<b>200</b>	200	200	<b>15</b>	20	52	<b>215</b>	220	252
Benefits paid	<b>(11,500)</b>	(10,100)	(9,300)	<b>(477)</b>	(1,435)	(270)	<b>(11,977)</b>	(11,535)	(9,570)
Fair value of assets at end of year	<b>215,400</b>	213,000	182,100	<b>16,819</b>	16,314	11,243	<b>232,219</b>	229,314	193,343



# Notes to the financial statements

## 12. Pensions (continued)

### 12h. Summary of prior year amounts

	<b>MLC Pension Scheme</b>					
	<b>As at 31-Mar-11 £'000</b>	As at 31-Mar-10 £'000	As at 31-Mar-09 £'000	As at 31-Mar-08 £'000	As at 31-Mar-07 £'000	As at 31-Mar-06 £'000
Scheme liabilities at end of year	<b>(173,100)</b>	(201,700)	(156,500)	(163,100)	(186,632)	(189,800)
Fair value of assets at end of year	<b>215,400</b>	213,000	182,100	212,732	211,600	214,500
Surplus/(deficit) in the Scheme at end of year	<b>42,300</b>	11,300	25,600	49,632	24,968	24,700
Experience (loss)/gain on liabilities	<b>10,900</b>	800	(1,100)	1,500	1,100	6,200
Actuarial (losses)/gains on assets	<b>2,000</b>	31,100	(33,800)	(1,600)	(5,000)	21,600

	<b>HGCA Pension Scheme</b>					
	<b>As at 31-Mar-11 £'000</b>	As at 31-Mar-10 £'000	As at 31-Mar-09 £'000	As at 31-Mar-08 £'000	As at 31-Mar-07 £'000	As at 30-Jun-06 £'000
Scheme liabilities at end of year	<b>(14,845)</b>	(17,483)	(10,565)	(12,362)	(12,684)	(10,562)
Fair value of assets at end of year	<b>16,819</b>	16,314	11,243	12,115	10,610	10,025
Surplus/(deficit) in the Scheme at end of year	<b>1,974</b>	(1,169)	678	(247)	(2,074)	(537)
Experience (loss)/gain on liabilities	<b>3,248</b>	(5,371)	2,812	1,321	127	(187)
Actuarial (losses)/gains on assets	<b>(430)</b>	2,403	(2,294)	(251)	223	225

\* HGCA had an accounting reference date of 30 June up until 2007, when it was changed to 31 March.

# Notes to the financial statements

## 12. Pensions (continued)

### 12i. Defined Contribution Schemes

#### MLC Pension Scheme

The Defined Contribution section of the MLC Pension Scheme had a total of 56 members as at 31 March 2011 (31 March 2010: 68 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 2011 was £133k (2010: £135k) and the value of outstanding contributions as at 31 March 2011 was £11k (31 March 2010: £11k). This Scheme was closed to new members in 2008, when AHDB set up the AHDB Pension Scheme for newly appointed employees.

#### DairyCo Pension Scheme

The DairyCo Pension Scheme is a Defined Contribution scheme and had a total of 14 members as at 31 March 2011 (31 March 2010: 26 members). The current employee and employer rates are 5% and 12.5% respectively. The Scheme is provided by NFU Mutual. The cost to AHDB of operating the Scheme during the year ended 31 March 2011 was £89k (2010: £121k) and the value of outstanding contributions as at 31 March 2011 was £6k (31 March 2010: £9k). This Scheme was closed to new members in 2008, when AHDB set up the AHDB Pension Scheme for newly appointed employees.

### 12j. 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 77 members as at 31 March 2011 (31 March 2010: 77 members). The current employee and employer contribution rates are 3%/6%, 4%/8% and 5%/10% respectively. The Scheme is provided by Threadneedle. The cost to AHDB of operating the Scheme during the year ended 31 March 2011 was £292k (2010: £120k) and the value of outstanding contributions as at 31 March 2011 was £29k (31 March 2010: £16k).

#### British Potato Council Pension Scheme

The British Potato Council Pension Scheme (BPC Pension Scheme) is a Defined Contribution scheme and had a total of 19 members as at 31 March 2011 (31 March 2010: 19 members). Members contribute 3.5% of pensionable salary while the employer's contributions are age-banded, ranging from 5.5% at age 30 to 11% at age 51 and above. The Scheme is provided by AXA Sun Life. The cost to AHDB of operating the Scheme during the year ended 31 March 2011 was £61k (2010: £77k) and the value of outstanding contributions as at 31 March 2011 was £5k (31 March 2010: £5k). This Scheme was closed to new members in 2008, when AHDB set up the AHDB Pension Scheme for newly appointed employees.

#### HDC

HDC has no pension scheme but contributes defined amounts to employees' personal pension plans as follows: admin staff 4%; managers 6% or 10%. The cost to AHDB of this arrangement during the year ended 31 March 2011 was £16k (2010: £31k) and the value of outstanding contributions as at 31 March 2011 was £1k (31 March 2010: nil).

## 13. Inventories

	Group As at 31-Mar-11 £'000	AHDB As at 31-Mar-11 £'000	Group As at 31-Mar-10 £'000	AHDB As at 31-Mar-10 £'000
Stock of equipment	20	-	-	-

## Notes to the financial statements

### 14. Trade and other receivables

	Group As at 31-Mar-11 £'000	AHDB As at 31-Mar-11 £'000	Group As at 31-Mar-10 £'000	AHDB As at 31-Mar-10 £'000
<b>Amounts falling due within one year</b>				
Levy income receivable	4,051	4,051	4,359	4,359
Receivables for fee and other income	897	239	1,290	640
Provision for bad and doubtful debts	(134)	(134)	-	-
Prepayments and accrued income	5,283	5,270	5,213	5,191
Corporation Tax	62	62	-	-
VAT	-	-	-	-
Staff loans	-	-	1	1
Department for Environment, Food and Rural Affairs	-	-	85	85
Rural Payments Agency (Note 20)	30	30	40	40
Natural England (Note 20)	-	-	-	-
	<b>10,189</b>	<b>9,518</b>	<b>10,988</b>	<b>10,316</b>
<b>Intra-government balances</b>				
Balances with central government bodies	-	-	85	85
Balances with public corporations and trading funds	30	30	40	40
Sub-total: Intra-government balances	30	30	125	125
Balances with bodies external to government	10,159	9,488	10,863	10,191
	<b>10,189</b>	<b>9,518</b>	<b>10,988</b>	<b>10,316</b>

	Group As at 31-Mar-11 £'000	AHDB As at 31-Mar-11 £'000	Group As at 31-Mar-10 £'000	AHDB As at 31-Mar-10 £'000
Up to 3 months past due	1,707	1,707	3,868	3,868
3 to 6 months past due	59	59	229	229
Over 6 months past due	226	226	883	883
	<b>1,992</b>	<b>1,992</b>	<b>4,980</b>	<b>4,980</b>

### 15. Cash and cash equivalents

	Group As at 31-Mar-11 £000	AHDB As at 31-Mar-11 £000	Group As at 31-Mar-10 £000	AHDB As at 31-Mar-10 £000
Balance at 1 April	13,149	12,503	20,886	19,576
Net change in cash and cash equivalents	(1,085)	(1,258)	(7,737)	(7,073)
Balance at 31 March	<b>12,064</b>	<b>11,245</b>	<b>13,149</b>	<b>12,503</b>
Balances at 31 March were:				
Short term investments	-	-	-	-
Commercial banks and cash in hand	12,064	11,245	13,149	12,503
Balance at 31 March	<b>12,064</b>	<b>11,245</b>	<b>13,149</b>	<b>12,503</b>

## Notes to the financial statements

### 16. Trade and other payables

	Group As at 31-Mar-11 £'000	AHDB As at 31-Mar-11 £'000	Group As at 31-Mar-10 £'000	AHDB As at 31-Mar-10 £'000
<b>Amounts falling due within one year</b>				
Trade payables	(2,224)	(2,220)	(3,760)	(3,704)
Redundancy payable (net)	-	-	(270)	-
Accruals and deferred income	(4,555)	(4,461)	(3,816)	(3,522)
Other payables	(1,039)	(735)	(480)	(390)
Corporation tax	-	-	(14)	(6)
VAT	(1,602)	(1,410)	(1,786)	(1,425)
Other taxation and social security	(488)	(403)	(452)	(374)
Amounts owed to subsidiary undertakings	-	(628)	-	(1,253)
Defra underwrite for redundancy *	(2,036)	(2,036)	(2,033)	(2,033)
PIDS fund	(75)	(75)	(75)	(75)
Central Science Laboratory (FERA) (Note 19)	(125)	(125)	(116)	(116)
DEFRA (Note 19)	(181)	(181)	-	-
	<b>(12,325)</b>	<b>(12,254)</b>	<b>(12,802)</b>	<b>(12,898)</b>
<b>Intra-government balances</b>				
Balances with central government bodies	(4,432)	(4,156)	(4,285)	(3,838)
Balances with public corporations and trading funds	-	-	(116)	(116)
Sub-total: Intra-government balances	(4,432)	(4,156)	(4,401)	(3,954)
Balances with bodies external to government	(7,893)	(8,098)	(8,401)	(8,944)
	<b>(12,325)</b>	<b>(12,254)</b>	<b>(12,802)</b>	<b>(12,898)</b>

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

These monies were originally transferred to MLC during the 1994/95 financial year. The agreement we have with Defra governing the use of the fund to meet potential future redundancy cost expired on 31 March 2010. On 1 April 2008, the Defra fund was transferred from MLC to AHDB in accordance with the Statutory Instrument that created AHDB. AHDB is currently awaiting instruction from Defra with regard to the future use, or request for return, of the funds.

## Notes to the financial statements

### 17. Provisions for liabilities and charges

	Dilapidations provision £'000	Redundancy provision £'000	HGCA Pension fund enhancement £'000	Onerous Lease provision £'000	Total provisions £'000
As at 1 April 2009	(425)	(4,556)	(2,000)	(1,335)	(8,316)
New provisions	-	(343)	-	-	(343)
Utilisation of provision	225	4,415	2,000	571	7,211
Release of provision	-	45	-	88	133
<b>As at 31 March 2010</b>	<b>(200)</b>	<b>(439)</b>	<b>-</b>	<b>(676)</b>	<b>(1,315)</b>
As at 1 April 2010	(200)	(439)	-	(676)	(1,315)
New provisions	-	-	-	-	-
Utilisation of provision	-	439	-	230	669
Release of provision	-	-	-	150	150
<b>As at 31 March 2011</b>	<b>(200)</b>	<b>-</b>	<b>-</b>	<b>(296)</b>	<b>(496)</b>

Explanation of provisions as at 31 March 2011	Timing of associated cash flow
<p><b>Dilapidations</b> Relates to the cost of dilapidations on the ex-Potato Council property lease in Oxford.</p>	2014
<p><b>Onerous lease</b> Relates to the cost of early termination of ex-Potato Council property lease in Oxford.</p>	Between 1-Apr-10 and 31-Jul-14

## Notes to the financial statements

### 18. Financial commitments

	Group As at 31 Mar 2011 £'000	AHDB As at 31 Mar 2011 £'000	Group As at 31 Mar 2010 £'000	AHDB As at 31 Mar 2010 £'000
<b>Capital expenditure commitments</b>				
Contracted for	-	-	-	-
<b>Approved research projects</b>				
Within one year	10,468	10,468	11,136	11,136
Thereafter	12,607	12,607	8,856	8,856
	<b>23,075</b>	<b>23,075</b>	19,992	19,992
<b>Operating leases</b>				
As at 31 March AHDB was committed to payments in the following year in respect of non-cancellable operating leases, which expire as follows:				
<b>Property</b>				
Within one year	611	554	564	564
Between two and five years	407	388	557	557
Over five years	-	-	4	4
	<b>1,018</b>	<b>942</b>	1,125	1,125
<b>Vehicles</b>				
Within one year	267	267	283	283
Between two and five years	424	424	416	416
	<b>691</b>	<b>691</b>	699	699
<b>Equipment</b>				
Within one year	142	142	163	163
Between two and five years	81	81	108	108
	<b>223</b>	<b>223</b>	271	271

## Notes to the financial statements

### 19. Related party transactions

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

	For the year ended 31-Mar-11 £'000	As at 31-Mar-11 £'000	For the year ended 31-Mar-10 £'000	As at 31-Mar-10 £'000
	<b>Transactions value:</b>	<b>Year end debtor/ (creditor):</b>	<b>Transactions value:</b>	<b>Year end debtor/ (creditor):</b>
<b>Sponsoring Government Department</b>				
<b>Defra</b>				
Provision of market information	265	-	428	-
ADS and other grants	131	-	214	-
Inspection services	78	-	99	-
Consultancy services	-	-	24	-
Grant funding for Red Meat Industry Forum	-	-	-	-
Agriculture Development Scheme: Business improvement in the dairy sector	-	-	-	-
Reporting of cereal price information to the European Commission	52	-	93	-
<b>Sub-total</b>	<b>526</b>	<b>-</b>	<b>858</b>	<b>-</b>
<b>Year end creditor</b>	<b>-</b>	<b>(181)</b>	<b>-</b>	<b>85</b>
<b>Total sponsoring Government Department</b>	<b>526</b>	<b>(181)</b>	<b>858</b>	<b>85</b>

## Notes to the financial statements

### 19. Related party transactions (continued)

	For the year ended 31-Mar-11 £'000	As at 31-Mar-11 £'000	For the year ended 31-Mar-10 £'000	As at 31-Mar-10 £'000
	Transactions value:	Year end debtor/ (creditor):	Transactions value:	Year end debtor/ (creditor):
<b>Other arm's-length bodies sponsored by Defra</b>				
<b>Rural Payments Agency</b>				
Inspection services	267	-	863	-
Provision of market information	-	-	-	-
<b>Sub-total</b>	<b>267</b>	<b>-</b>	<b>863</b>	<b>-</b>
<b>Year end debtor</b>	<b>-</b>	<b>30</b>	<b>-</b>	<b>40</b>
<b>Natural England</b>				
Provision of market information	37	-	20	-
<b>Sub-total</b>	<b>37</b>	<b>-</b>	<b>20</b>	<b>-</b>
<b>Year end debtor</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Animal Health</b>				
Provision of market information	237	-	178	-
<b>Sub-total</b>	<b>237</b>	<b>-</b>	<b>178</b>	<b>-</b>
<b>Year end debtor</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>FERA</b>				
Contribution to specific projects	(542)	-	(379)	-
<b>Sub-total</b>	<b>(542)</b>	<b>-</b>	<b>(379)</b>	<b>-</b>
<b>Year end creditor</b>	<b>-</b>	<b>(125)</b>	<b>-</b>	<b>(116)</b>
<b>Veterinary Laboratories Agency</b>				
Contribution to specific projects	(34)	-	(64)	-
<b>Sub-total</b>	<b>(34)</b>	<b>-</b>	<b>(64)</b>	<b>-</b>
<b>Year end creditor</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total other Arm's-Length Bodies Sponsored by Defra</b>	<b>(35)</b>	<b>(95)</b>	<b>618</b>	<b>(76)</b>
<b>Other Government organisations</b>				
<b>Food from Britain</b>				
Joint projects	-	-	-	-
<b>Sub-total</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Year end creditor</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total other Government organisations</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

One of the members of the Board, Allan Stevenson, is also a Director of the Scottish Crop Research Institute (SCRI). During the year, AHDB had transactions with SCRI amounting to £62k excluding VAT (2010: £88k). As at 31 March 2011 AHDB owed SCRI £17k (31 March 2010: £1k). Another Board member, John Cross, is a director of Assured Foods Standards (AFS). AHDB provided funding to AFS in the year ended 31 March 2011 of £400k. No other AHDB Board members, Sector Board members, senior executive staff or other related parties have undertaken any material transactions with AHDB. Levies were paid by a number of AHDB Board members but these were on an arm's-length basis and the amounts are not considered material.

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



## Notes to the financial statements

### 20. Contingent liabilities

As at 31 March 2011 AHDB had a contingent liability relating to the possible replacement of air conditioning units at Caledonia House, which has been disputed with the Landlord. The value of this contingent liability is £56k (31 March 2010: £56k).

### 21. Constructive Loss

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

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

### 22. Going Concern

These accounts have been prepared on a going concern basis. AHDB's management has no reason to question its Going Concern status and do 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 (NDPB's).

### 23. Events after the reporting date

There were no significant events after the reporting date.

## Sector boards at 31 March 2011

### BPEX - English Pig Sector Board

**Stewart Houston CBE** (Chairman)  
**Marcus Cheale**, processor (appointed May 2010)  
**Adam Couch**, processor  
**Jon Easey**, pig producer, East Anglia  
**Clive Francis**, independent member  
**John Godfrey CBE**, pig producer, Lincolnshire and Yorkshire  
**John Hughes**, processor  
**Jim Jaffray**, processor (November 2010 to March 2011)  
**Richard Longthorp**, pig producer, East Yorkshire  
**John Rowbottom**, pig producer, Yorkshire (retired March 2011)  
**Mike Sheldon**, pig producer, Buckinghamshire  
**Bill Thurston**, processor (retired in May 2010)  
**Meryl Ward**, pig producer, Lincolnshire (retired March 2011)

### DairyCo - GB Milk Sector Board

**Tim Bennett** (Chairman)  
**Kevin Beaty**, dairy farmer, Cumbria  
**Kenneth Campbell**, dairy farmer, Kirkcudbrightshire (retired March 2011)  
**Neil Cutler OBE**, dairy farmer, Hampshire  
**Richard Davis**, dairy farmer, Bedfordshire  
**Julia Hawley**, dairy farmer, Leicestershire  
**David Homer**, dairy farmer, Wiltshire (retired March 2011)  
**Dr Stewart Jamieson**, dairy farmer, Dumfriesshire  
**Trevor Lloyd**, dairy farmer, Anglesey (retired March 2011)  
**Arthur Reeves**, processor, Bristol (retired March 2011)  
**Ian Martin**, independent member  
**Jonathan Vickers**, independent member (retired March 2011)

### EBLEX - English Beef and Lamb Sector Board

**John Cross** (Chairman)  
**Jonathan Barber**, sheep breeder, Norfolk  
**Malcolm Corbett**, hill farmer, Newcastle-Upon-Tyne  
**James Fanshawe**, beef farmer, Northamptonshire  
**David Fleetwood**, processor (retired March 2011)  
**John Hoskin**, mixed livestock and arable farmer, Dorset and Cornwall  
**Peter Kingwill**, livestock auctioneer in South West  
**Alistair Mackintosh**, mixed livestock and arable farmer, Cumbria  
**Professor Robert Pickard**, independent member (retired March 2011)  
**Mike Powley**, beef farmer, York  
**David Raine**, mixed livestock hill and lowland farmer, Cumbria  
**Kevin Swoffer**, independent member  
**Simon Warren**, technical consultant to red meat supply chain  
**Ryan Williams**, processor

## **HDC - GB Horticulture Sector Board**

**Neil Bragg**, (Chairman)

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

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

**John Collier**, mushroom grower, Eire

**Peter Cornish**, field vegetable grower, Yorkshire (retired January 2011)

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

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

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

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

**David Hand**, protected edibles consultant, West Sussex (retired January 2011)

**Tracey Hull**, protected crops grower, Lincolnshire (retired January 2011)

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

**Mark Komatsu**, mushroom grower, Bradford-upon-Avon (retired June 2010)

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

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

**Will Sibley**, tree fruit grower, Essex (retired June 2010)

**Paul Singleton**, independent member

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

## **HGCA - UK Cereals and Oilseeds Sector Board**

**Jonathan Tipples**, (Chairman)

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

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

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

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

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

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

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

**John Pidgeon**, independent member (retired March 2011)

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

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

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

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

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

## **Potato Council - GB Potato Sector Board**

**Allan Stevenson** (Chairman)

**Tony Bambridge**, grower, Norfolk

**Colin Bradley**, grower, Lancashire (retired March 2011)

**Jim Cruickshank**, grower, Aberdeenshire (retired March 2011)

**Robert Doig**, grower, Perthshire

**Fiona Fell**, independent member

**Dennis Heywood**, independent member (retired March 2011)

**Graham Nichols**, grower, Gloucestershire

**Tim Papworth**, grower, Norfolk

**David Rankin**, grower/packer

**Fraser Scott**, grower, Berwickshire

**Alex Stephens**, grower, Cornwall (retired March 2011)

**Nick Tapp**, grower/packer

**Nick Vermont**, processor

**Duncan Worth**, grower, South Lincolnshire

## Levy rates 01/04/10 to 31/03/11

SECTOR	Levy rate 2010/11	Higher rate for late payment
<b>Pigs (England)</b>	<b>£ per head</b>	<b>£ per head</b>
Producer	0.85	0.935
Slaughterer/exporter	0.20	0.22
<b>Beef and Lamb (England)</b>	<b>£ per head</b>	<b>£ per head</b>
<b>Cattle (excluding calves)</b>		
Producer	3.495	3.845
Slaughterer/exporter	1.075	1.183
<b>Calves</b>		
Producer	0.07	0.077
Slaughterer/exporter	0.07	0.077
<b>Sheep</b>		
Producer	0.505	0.556
Slaughterer/exporter	0.165	0.182
<b>Milk (GB)</b>	<b>Pence per litre</b>	<b>Pence per litre</b>
Buyers and direct sellers of milk	0.060	0.066
<b>Cereals and oilseeds (UK)</b>	<b>Pence per tonne</b>	<b>Pence per tonne</b>
Cereal grower	40.00	44.00
Cereal buyer	3.30	3.63
Cereals processor standard rate	8.25	9.075
Cereals processor reduced rate	4.00	4.40
Oilseeds	65.00	71.5
<b>Horticulture (GB)</b>	<b>% sales turnover</b>	<b>% sales turnover</b>
Horticulture products	0.50	0.55
<b>Mushroom spawn</b>	<b>Pence per litre</b>	<b>Pence per litre</b>
- Agaricus	8.0	8.8
- Non-agaricus	2.0	2.2
<b>Potatoes (GB)</b>		
Potato growers	£40.17 per hectare (An increase of +£1.17)	£45.32 per hectare
Purchasers of potatoes	£0.1751 per tonne (An increase of +£0.0051)	£0.1957 per tonne

## Glossary of terms

2TS	Two Tonne Sow
AFS	Assured Food Standards
AIC	Agricultural Industries Confederation
ATP	Advanced Training Partnership
BBSRC	Biotechnology and Biological Sciences Research Council
BCE	British Crop Exports
BNF	British Nutrition Foundation
BRP	Better Returns Programme
CAP	Common Agricultural Policy
CASE	Collaborative Awards in Science and Engineering
CEL	Crop Evaluation Services Limited
CEO	Chief Executive Officer
CH <sub>4</sub>	Methane
CLA	Country Land & Business Association
CO <sub>2</sub>	Carbon Dioxide
CPD	Continuous Professional Development
COWS	Control of Worms Sustainably
Defra	Department for Environment, Food and Rural Affairs
DON	Deoxynivalenol
EC	European Commission
EFRA	Environment, Food and Rural Affairs (Committee)
EMDA	East Midlands Development Agency
EMT	East Malling Trust
ESS	Environmental Stewardship Schemes
EU	European Union
FReM	Financial Reporting Manual
GB	Great Britain
GHG	Green House Gas
HTA	Horticultural Trades Association
IPM	Integrated Pest Management
IT	Information Technology
KE	Knowledge Exchange
KPI	Key Performance Indicator
KT	Knowledge Transfer
N	Nitrogen
NDPB	Non-Departmental Public Body
NEC	National Exhibition Centre
N <sub>2</sub> O	Nitrous Oxide
NGO	Non Governmental Organisation
NFU	National Farmers Union
NPA	National Pig Association
MLCSL	Meat and Livestock Commercial Services Limited
PESTLE	Political, Economic, Sociological, Technological, Legislative, Economic
PLI	Profitable Lifetime Index
QSM	Quality Standard Mark
R&D	Research and Development
RDPE	Rural Development Programme for England
ROI	Return on Investment
SAC	Scottish Agricultural College
SAF-IP	Sustainable Agri-Food Innovation Platform
SET	Senior Executive Team
SIRA	Stable Isotope Reference Analysis
SOLAs	Specific Off-label Approvals
TSB	Technology Strategy Board
UK	United Kingdom





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