



Annual Report and Accounts 2005-06

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Right Hon. David Miliband MP
Secretary of State
Department for Environment, Food and Rural Affairs (Defra)
Nobel House
17 Smith Square
London
SW1P 3JR

Dear Secretary of State,

It is a great pleasure for me to provide you with Food from Britain's (FFB's) Annual Report and Accounts for the year ending 31st March 2006, during which I have had the honour of serving as FFB Chairman since January 2006.

Exports of British food and drink reached almost £10 billion in 2005, which is 3% up from the previous year. This result reflects the hard work and talents of Britain's food and drink industry. Food and drink exports make a valuable contribution to Britain's economy and also provide companies, not least Small and Medium-sized Enterprises (SMEs), with useful additional markets for their products.

We have seen some remarkable performances, notably in drinks and seafood, and continued strong growth in breakfast cereals. Beef exports are still relatively small, but are expected to make steady progress in the future.

During the year, we were delighted that Defra extended its support for our English regional food and drink programme for a further two years, with £1m additional funding in each year. We are pleased to report encouraging progress, both in terms of overall growth of the sector and of the number of producers that have benefited from our work: incremental sales of more than £2m have been achieved.

Particular highlights of this programme include our work to develop opportunities for producers in the food service sector; our continued supplier development programmes in cooperation with UK multiples such as Waitrose, Budgens, ASDA and the Co-Op; our hugely successful joint Taste of Britain campaign with Defra, Sainsbury's, IGD and The Daily Telegraph; and our provision of advice to help producers overcome barriers to market development, particularly those concerning distribution.

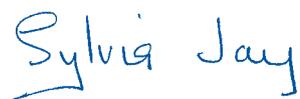
For the year ahead, by early 2007 we hope to have enhanced our communications through a revamped corporate website and to have made our working practices more transparent to the public at large. We also look forward to administrating the Protected Food Names Scheme for England on Defra's behalf and to helping increase the number of such UK products.

I should like to assure you that we shall continue to work closely with your department, with the devolved administrations, with UKTI and other partners such as VisitBritain to ensure that we deliver value for the British taxpayer and for the industry. We believe this work will make a critical contribution to government's Strategy for Sustainable Farming and Food and to similar strategies of the devolved nations.

May I add that we are especially grateful for the strong support given to us by your department, and in particular by the last Minister for Sustainable Farming and Food, Lord Bach, who devoted many hours at home and abroad to supporting our work. I should also like to thank our Council Members and observers for their input over the year.

I am writing similarly to the Ministers in Scotland, Wales and Northern Ireland, reporting on the support given to their food and drink industries.

Yours sincerely,



Lady Jay (Sylvia) CBE, Chairman, Food from Britain

Ross Finnie Esq. MSP
Minister for Environment and Rural Development
Scottish Executive Environment and Rural Affairs Department
Pentland House
47 Robb's Loan
Edinburgh EH14 1TY

Dear Minister,

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We have seen some remarkable performances, notably in drinks and seafood, and continued strong growth in breakfast cereals. These product sectors are particularly important to the Scottish market, and whisky makes up nearly a quarter of total trade figures. Beef exports are still relatively small, but are expected to make steady progress in the future. Markets are eagerly anticipating the reintroduction of Scotch beef with the ending of the ban.

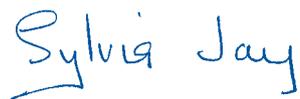
In Scotland, FFB has continued to support your food and drink companies, working closely with Scottish Food and Drink, Scottish Executive and Scottish Development International (SDI) to showcase produce from Scottish suppliers around the world. This year 54 companies have been visited by FFB's team, with 24 new Scottish exporters being taken to international shows. One particular highlight was a tour of seafood processors by a group of Japanese buyers.

Seminars which helped to develop industry knowledge for Scottish producers included a joint briefing with SDI on US retailer Whole Foods and a presentation by FFB's European offices on private label opportunities. We are delighted to have been appointed by Quality Meat Scotland (QMS) to represent its interests in Italy, previously one of the most important export markets for Scotch beef.

We shall continue to work closely with your department to ensure that we deliver value for the Scottish taxpayer as well as for the Scottish food and drink industry as part of the overall Scottish Food and Drink Strategy. Looking forward, by early 2007 we hope to have enhanced our communications through a revamped corporate website and to have made our working practices more transparent to the public at large.

I am writing similarly to the Secretary of State and Ministers in Wales and Northern Ireland, reporting on the support given to their food and drink industries.

Yours sincerely,

A handwritten signature in blue ink that reads "Sylvia Jay". The signature is written in a cursive, flowing style.

Lady Jay (Sylvia) CBE, Chairman, Food from Britain

Carwyn Jones Esq. AM
Minister for Environment, Planning and Countryside
Welsh Assembly Government
Cardiff Bay
Cardiff CF99 1NA

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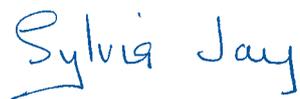
We have seen some remarkable performances, notably in drinks and seafood, and continued strong growth in breakfast cereals. Beef exports are still relatively small, but are expected to make steady progress in the coming year.

We maintain strong links with the Welsh Assembly Government and support food and drink producers at numerous international shows. During the year, under a contract with the former Welsh Development Agency, we have assisted 42 Welsh producers across 9 markets, providing services including research, commercial evaluation and distributor selection. Regional quality Welsh products have been a particular success, and FFB has been able to promote many premium items through trade activities, especially those focusing on foodservice in Asia.

Looking forward, we shall continue to work closely with The Food and Drink Market Development Division of the Welsh Assembly Government to ensure that we deliver value for the Welsh taxpayer as well as for the Welsh food and drink industry, as part of the Farming for the Future overall strategy and the Agri Food Partnership's strategy. We shall also endeavour to achieve closer working relations with your officials on Welsh food tourism. By early 2007 we hope to have enhanced our communications through a revamped corporate website and to have made our working practices more transparent to the public at large.

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Lady Jay (Sylvia) CBE, Chairman, Food from Britain

Mr. David Cairns MP
Minister for Agriculture and Rural Development
Department of Agriculture and Rural Development in Northern Ireland
Dundonald House
Upper Newtownards Road
Belfast BT4 3SB

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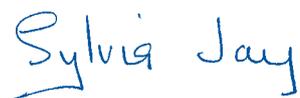
We have seen some remarkable performances, notably in drinks and seafood, and continued strong growth in breakfast cereals. Beef exports are still relatively small, but are expected to make steady progress in the coming year. Markets are eagerly anticipating the reintroduction of Northern Irish beef with the ending of the ban.

In Northern Ireland, we have carried out a major piece of market research in mainland European markets on the red meat sector for the Livestock and Meat Commission (LMC) for Northern Ireland. We presented the results of a diagnostic study, grouping companies by export capability and followed up this work by visiting 48 Northern Irish organisations to develop their action plans. We have an excellent team in place to implement additional work and look forward to further developing our partnership.

Looking forward, we shall continue to work closely with your Department and that of Invest Northern Ireland (INI) to ensure that we jointly deliver value for the Northern Ireland taxpayer and the Northern Ireland food and drink industry, as part of the 'Fit for Market' approach overseen by the Food Strategy Implementation Partnership (FSIP). By early 2007 we hope to have enhanced our communications through a revamped corporate website and to have made our working practices more transparent to the public at large.

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Yours sincerely,

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Lady Jay (Sylvia) CBE, Chairman, Food from Britain

Food from Britain Annual Report and Accounts 2005-06

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Lady Jay meets with exhibitors at the ISM show.

Chairman's Statement

This year we have seen positive results from British companies' commitment to international trade, not least from those exporting for the first time, and for those involved in quality regional food production.



British regional cheeses were a hit in Italy.



With the beef ban lifted, FFB will help re-grow exports.

Within the frameworks of the UK government's Strategy for Sustainable Farming and Food and the equivalent strategies of the devolved nations, we have an industry platform on which to build that has never been stronger in its potential. I hope this will provide further encouragement to all our food and drink producers and manufacturers to take advantage of the opportunities ahead.

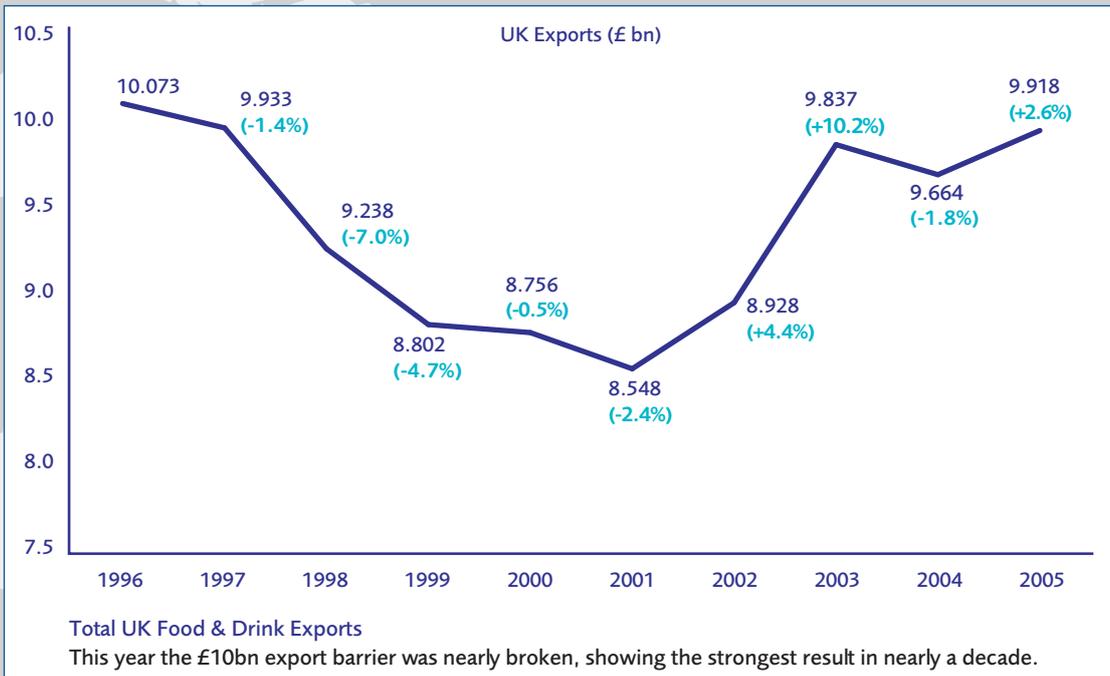
Total exports of food and drink in the year to December 2005 achieved a level of £9.9bn, up 3% (£9.664bn in 2004 and £9.918bn in 2005) on the previous year. This is the highest for almost a decade. Our hopes are high that this success, and the confidence shown by domestic and international consumers, will continue in the year ahead.

Food and drink exports to the EU reached £6.4bn, a growth of 3%. Ireland and France, our strongest markets, continued to deliver strongly for British exporters, with £1.8bn (an 8% increase) and £1.2bn (a 2% increase) generated respectively.

Outside Europe, gains continued to be made in Asia, with South Korea entering the top ten markets for British food and drink and China the top twenty.

In the meat sector we have seen continued progress, achieving exports of £735m, up 10% from the previous year. Within this figure, beef exports were still small at £25m, indicating that returning to pre-BSE levels will take time and dedication. But with beef exports already up 25% from 2004, the industry is clearly developing confidence and recovering.

Many of the small and medium sized-producers that FFB aids are in the dairy sector. This year saw a 22% increase in fresh cheese exports and growing interest from both the French and the Italians in our regional cheeses. Events showcasing the variety and quality of British cheese, like the Great British Cheese Festival and Slow Food's Cheese at Bra in Italy, continued to stimulate consumers' appetites at home and abroad.



Turning to the UK's regional food and drink sector, in 2005-06 we successfully completed the third year of our Department for Environment, Food and Rural Affairs (Defra)-funded support programme, which has now been extended for a further two years. Working with the dedicated English Regional Food Groups we have supported, directly and indirectly, some 2,000 regional food and drink producers.

In continued partnership with the Scottish Executive and Scottish Food and Drink, FFB has brought 24 new Scottish exporters to international shows. We have also worked in Wales with the Welsh Assembly Government to provide research, commercial evaluation and distributor selection support to 42 Welsh producers across 9 markets.

In Northern Ireland, under the auspices of the 'Fit for Market' strategy, we have helped ensure that producers are well placed to capitalise on international opportunities, following visits to 48 organisations.

These achievements have come about as a result of dedicated work by many talented people. In particular I should like to congratulate FFB's London team, the International Offices and our Associate Network, who have worked together to help companies develop their markets, both in Britain and overseas. For many British firms this is the first important step to growing a serious international business.

FFB's work is overseen and guided by its Council, which gives us the benefit of its varied professional experience, expertise and advice to guide us in meeting our corporate plan targets. This year I should like to thank Stuart Gates, who stepped down from Council having served for six years, and give our special thanks to Gordon Summerfield CBE who was Chairman for six years and contributed enormously to FFB. I should also like to welcome Timothy Bennett who joined in June of 2005. A full list of Council Members is available on page 35.

In conclusion, the British food and drink industry has flourished this year and we expect this growth to continue. We shall work in the year ahead to try to eliminate any duplication with UKTI in the market development support we provide at home and abroad. We shall also aim to expand support for English regional producers through our newly established English Regional Food and Drink Coordination Group.

I hope to be able to report on even greater success for our industry in 2007.

Lady Jay (Sylvia) CBE, Chairman



David McNair discusses market development with British producers.

Chief Executive's Review

For the fifth year in a row FFB has performed well against its targets. Our partnership approach to providing appropriate advice and services to build markets has made it another year of achievement for our clients too.



A group of Japanese seafood buyers visit suppliers in Scotland.



Chris Brockman presents research findings at a Gulf States Seminar.

In delivering the second year of the 2004-07 Corporate Plan agreed with Defra and the devolved nations, FFB has continued to exploit UK leadership in value-added and convenience foods, retailer brands, and assurance policies in quality and food safety across a widening range of supply-chain developments.

At a time of increasing UK decentralisation, FFB has invested resource in working with each region to develop pertinent support to assist individual companies in improving their export performance. With trade organisations, government departments and levy bodies, FFB has sought to avoid duplication or competition in services and ensure a complementary and more cost-effective approach to the provision of services to companies. In doing so, FFB seeks to be the leading market development consultancy for British food and drink companies, delivering sustainable company growth in international markets while developing the quality British regional food and drink sector.

Against a challenging recruitment background, it is pleasing to report the number of companies exhibiting under the British Pavilion during the year was 285, of which 82% were SMEs. The FFB events team also assisted 181 companies through a programme of seminars, trade development visits and 'meet the buyer' events, as well as event management services to the Scottish Executive and Defra during the year.

FFB's New Market Development team has assisted 138 companies to enter or further nurture markets in Central Europe (focusing on the Czech Republic, Hungary and Poland), the Gulf States (focusing on the United Arab Emirates and Saudi Arabia) and Asia-Pacific (focusing on Hong Kong and Greater China, Japan, South-East Asia and Australia), through the provision of a range of generic and tailor-made company services, often in conjunction with UKTI and the commercial desks of British Embassies.

OPERATIONAL PLAN 2005-06: 11 KEY TARGETS -11 ACHIEVED (100%)

EXHIBITIONS AND EVENTS

Aim: Achieve 262 food and drink companies at international exhibitions of which 60% are Small and Medium-sized Enterprises (SMEs).

Result: Achieved. 285 exhibitors; 82% were SMEs.

REGIONAL FOODS

Aim: To achieve combined increased sales of regional food and drink of £1.1m during 2005-06.

Result: Delivered £2.1m.

Aim: To work with 1,000 separate companies in the programme and achieve 1,800 active participations in events.

Result: Both targets achieved. We have worked with 1,896 separate companies and there were 3,316 active participations in events.

DEVOLUTION AND REGIONAL DEVELOPMENT

Aim: To continue to work with and add measurable value to the appropriate bodies in the devolved administrations and English regions to ensure FFB's services are made available to UK food and drink companies.

Result: Achieved. FFB continues to work with the appropriate bodies in the devolved administrations and English regions as highlighted in this report.

CORPORATE COMMUNICATIONS

Aim: Corporate - Achieve a minimum of 4 national media pieces (print/tv/radio), 25 trade pieces, and 6 pieces in key regional/local papers.

Result: Achieved 6 national pieces in support of FFB corporate, 175 trade pieces and 122 pieces in key regional/local papers.

Aim: Regional - Support the regional food target of achieving 100 media articles highlighting regional food producers and their products.

Result: Achieved. 236 articles generated.

NEW MARKET DEVELOPMENT

Aim: Assist 50 companies each year to export to New Markets.

Result: Achieved. 138 companies assisted.

CLIENT DEVELOPMENT

Aim: UK Client Development to meet with 130 new companies to discuss export opportunities.

Result: Achieved. Met with 180 new companies.

FAST TRACK

Aim: To recruit at least 45 new members as exporters in each year of the plan.

Result: Achieved. 46 new exporter members recruited.

RESEARCH & MARKETING

Aim: Research and consultancy team to project manage from London at least 10 research projects in the year generating contribution of £98k.

Result: Achieved. 16 projects were undertaken for clients, and a further 3 projects were undertaken as category research, generating contribution of £102k.

INTERNATIONAL SERVICES

Aim: FFB as a whole, being both London and the International Offices, to provide export services to at least 700 different companies in each year of the plan. 20% of these companies should be new to FFB.

Result: Achieved. Total number of companies serviced is 822, of which 530 (64%) were new to FFB.

Such services include trade development visits, retail promotions and market research in association with local partners.

The FFB London Client Development team met with 180 new companies to discuss export opportunities, while 46 new members were recruited to FFB Fast Track as new exporters. We look forward to measuring the growth of their exports over the next year of our Corporate Plan. There were also welcome changes within our structure. With a new Head of Client Development, Jane Wakeling, FFB's Account Management team will ensure our clients create strategic plans rooted in sustainable quality business.

Research and consultancy services continued to deliver high quality and practical analyses of markets and opportunities to enable exporters to plan successful market entry and development. Nineteen projects were managed during the year including a Gulf States seminar and report, sector research on confectionery, ready meals, ethnic foods and the private label market, and a major transnational study of opportunities in foodservice.

Much of the above activity would not have been possible without the valued insight and business building capability in FFB's International Network. These eight offices in Europe and one in North America provided advice and services to 583 different companies, of which 138 were new clients to FFB. Reinforcing the value of those services is the fact that 121 of those companies have now been working with FFB for at least the last two years.

This year FFB has made good progress in meeting the Corporate Plan targets for 2004-07. The organisation shall seek to further broaden the range of services on offer and develop market knowledge, both within established and developing markets for UK companies.

David McNair

David McNair Chief Executive

Identifying Opportunities

Successful market development, whether in the UK or internationally, depends upon the right preparation and planning. FFB has helped to provide expert guidance to companies of all sizes and export aspirations this year.

We helped more than 800 clients to export to over 20 markets



Recipes were developed for and demonstrated at Hotelympia.



The Gulf States are a key growth market for British exporters.

FFB helps new companies identify international market opportunities through a range of services tailored to our clients' needs. One service in particular has helped to identify market opportunities – FFB's Product-to-Market Assessments (PMAs). This starting point has helped over 30 clients to develop and hone their export strategies by providing advice on product selection, markets to target and the best entry routes.

FFB's Research and Consultancy services have continued to support SMEs' export development in partnership with UKTI, the Regional Development Agencies (RDAs) and devolved nations. This year, FFB examined Northern Ireland's export capability through a diagnostic project and also worked with the South West region of England to identify new fish processing opportunities.

'FFB's New Markets team plans to investigate the opportunities and further develop its services in markets such as the Far East and Gulf States.'

In addition, a number of new projects have been managed, including organising visits to markets in Central Europe and the Far East. The team has also assisted companies in investigating potential routes to market for their products and finding importers and distributors. During 2006-07, FFB's New Markets team plans to investigate the opportunities and further develop its services in markets such as the Far East and Gulf States.



Lincolnshire Poacher found great interest in its products at Cheese at Bra in Italy.

Additional projects identified opportunities to target ex-pats, tourists and home residents in the Gulf States - now one of the world's fastest growing markets for British produce. To capitalise on one of the UK's key strengths in added-value, FFB produced a report detailing growth markets for the ready meals and ethnic foods sectors.

The London headquarters and all nine International Offices worked together to create a comprehensive report analysing the opportunities presented by the global growth in foodservice. The results of this project were shared at an industry seminar and have helped both to shed light on a sector regarded as the next frontier for exporters, and develop FFB's services to help companies capitalise on the emerging opportunities.

FFB's regional food and drink support programme has continued to assist producers in maximising UK and international sales arising from the growth in consumer demand for products of quality and distinctive provenance. FFB staged an EU Protected Names seminar to highlight how producers can benefit from market differentiation through such recognised quality schemes, which have the added advantage of endorsing Britain's food heritage.

'FFB produced a report detailing growth markets for the ready meals and ethnic foods sectors.'

As one of Europe's most important markets for quality produce, Italy was the focus for a major project that brought together British and Italian chefs, culminating in a spectacular dinner for over 300 guests in an ancient theatre in Bologna. Quality ingredients were sourced from farmers markets in the UK and then combined with pasta. The menu reflected the tremendous variety of Britain's culinary history with sausages, parsnips and lamb served alongside samosas and curry.

Building on this success, in 2006-07, FFB's International Network and London team will continue to identify opportunities for British food and drink producers.

Winning New Business

Identifying the opportunity is just the start. FFB works closely with companies to help them develop a winning strategy that takes account of such things as local tastes, regulatory issues, market positioning and whether to enter directly or via a distributor.



We assisted nearly 300 UK companies to exhibit at 16 exhibitions at home and abroad



The Summer Fancy Food Show gives a platform to suppliers of speciality items.



A promotion with Harrods listed 300 new products.

FFB has helped to progress business relationships this year through a range of 'meet the buyer' events. These included meetings with WalMart, Target and Tui. At the Food and Drink Expo early in 2006, FFB organised an inward mission of 23 international buyers who were matched with producers looking to win contracts.

Through one distributor search, Greens of Glastonbury, producers of fine Cheddar and Double Gloucester cheese, secured its first export order in a matter of weeks. Sending its first shipment to Ireland, this business win was the first step in the company's commitment to supplying overseas markets.

FFB's worldwide exhibitions programme provides an excellent platform for suppliers to make the right business connections. At ANUGA, The Handmade Cake Company, a small producer of quality baked goods, won its second major export order, taking its products to two markets - Spain and Norway. At the Summer Fancy Food Show in New York, producers from the South West Food and Drink group won substantial

'Business of approximately £500k was identified and fulfilled by matching producers with distributors.'

new business, including Olives et AI from Dorset who secured 30 orders via a single distributor. At Food and Hotel China, the British Curry Company was overwhelmed by the response it received to a product tasting, illustrating the potential demand in a burgeoning market.



Nigel Brown (centre), FFB Italy's International Director, has helped to maintain demand for Cornish pilchards and Anglesey sea salt.

Other successful international activities included road shows in Madeira and Madrid and a retail seminar in France. At the Madrid road show alone, business of approximately £500k was identified and fulfilled by matching producers

'This new business has resulted in a four-fold increase in sales during a three month promotional period.'

with distributors. In early 2006, a promotion with Carrefour in Spain led to the listing of 100 new lines, providing yet another illustration of the significant opportunities in this market.

FFB Portugal, The Netherlands and Italy continued their work with the Single Malt Club, to develop markets for whisky abroad. Whisky trails and public relations events were organised, while tasting sessions for over 1,000 members were also regularly held.

FFB Germany organised a number of successful promotions during the year including one for Noon, which exploited consumer demand for more ethnic convenience foods. As a result, Noon products are now available in hundreds of REWE stores across the country and listings at other major retailers have followed. FFB Germany also organised a successful promotion for Gourmet Garden (Europe) in tegut, a major regional multiple in the heart of the country.

Across the Atlantic, the FFB North America team worked with Green & Black's Chocolate to secure listings with major natural foods retailer, Whole Foods. This new business has resulted in a four-fold increase in sales during a three month promotional period with year-end sales up an impressive 47%.

By partnering with Harrods in a store-wide 'Truly British' promotion, FFB's regional programme transformed the famous London food hall into a celebration of British products. Over 300 products were listed with over 50% being retained beyond the six-week promotional period. A series of window displays publicised key products from each English region and devolved nation.

The annual FFB Export Awards and Network Forum enabled producers to learn from other key players in the industry including representatives from AS Watson (Park n Shop), FFB's International Retailer of the Year – the first time this award has been won by an Asian retailer. AarhusKarlshamn (UK) Ltd, the 2005 Food and Drink Exporter of the Year, scooped two other awards - Private Label and Grocery Exporter of the Year - for its range of specialty oils.

Growing Established Business

Inability to support a new listing will result in failure. That's why FFB's International Network provides companies with a range of in-market support services - from maintaining customer relationships, targeted consumer promotions and trade PR to ongoing client representation.



An International Network of 9 offices and 6 affiliated teams



Foodservice is a growing opportunity both within the UK and internationally.



Italian chefs visit British producers and shop for ingredients.

To expand business in a market, FFB works closely with its clients, in some instances as an in-market representative, to sustain real growth, protecting investment and ensuring they build on established market share.

The first British food promotion ever organised in Thailand.

A great way of maintaining visibility in an overseas market is to take part in exhibitions. Overall, companies that exhibit regularly with FFB and are committed to export have expanded their business during the year. This year retail promotions were organised in three key Asian markets - Singapore, Thailand and Hong Kong. The activity in Thailand, which involved retailer TOPS, was the first British food promotion ever organised in the country. One supplier, Fast Track member North Downs Dairy, secured orders in four countries.

In Europe, FFB France organised the first 'British Week in Paris'. While a red double-decker bus is not a common sight on the Champs Elysées, Parisians certainly 'got on board' the promotion of British products which took place in the city's top gourmet food halls and shops including Publicis drug store, Lafayette Maison and La Grande Epicerie among others. In the next year we hope this event can expand to wider foodservice opportunities within Parisian restaurant chains.

FFB's regional food and drink website - www.regionalfoodanddrink.co.uk - also continued to grow and now features more than 4,000 producers. To help relationships between regional producers and key retailers, a number of meetings have been organised, helping to generate new listings and enhance sales. Discussions have also taken place with foodservice operators including 3663, resulting in regional British food appearing on more restaurant menus.



Exporter of the Year, AarhusKarlshamn (UK) Ltd, celebrates winning.

FFB's public relations offering was enhanced this year in two international offices. FFB Netherlands and North America both launched bespoke services designed to help clients achieve greater awareness of their brands and products in both the trade and consumer media. Projects in the Netherlands included a successful tour of the Lake District for Dutch journalists and media work around the launch of So Good soya milk.

The FFB Nordic office also succeeded in publicising its clients through a Mexican cooking competition, whereby Danish customers were awarded for their talents in cooking with Discovery products. Coverage spanned consumer magazines and radio broadcasts and resulted in a sales increase of 24% over a six-month period. Even in the start of 2006 the campaign continued to generate coverage with Discovery Foods being named best TexMex product above its competitors in the Nordic market.

FFB's communications campaign to promote Britain's quality food and drink offer resulted in substantial media coverage reaching over ten million consumers with an equivalent advertising value above £250k. Surveys have proved a useful way to gain media coverage. For example, research commissioned by FFB examined the link between food tourism and the appeal of regional food, with the West Country voted top UK destination for culinary delights. Substantial media coverage was obtained for English Wines by FFB encouraging the UK press to link FFB research highlighting the growing popularity of English wines with the likely impact of global warming, encouraging French vineyards to look to buying their English counterparts.

While looking for the 50 top food and drink products in the UK, nearly £115k worth of publicity was generated for FFB and its clients through The Daily Telegraph's Taste of Britain campaign. Many of the competition winners are now involved in foodservice initiatives highlighting the best of British food and drink.

FFB's regional programme of support has been key to the ongoing growth and development of a number of consumer food festivals and promotion weeks. The balance between supporting small and medium-sized food producers within and outside of the UK means that FFB understands and helps to determine the success of products throughout the British food chain.

Annual Report

History and statutory background

Food from Britain (FFB) was established as a Non-Departmental Public Body by the Agricultural Marketing Act 1983, as amended, "to improve the marketing of food produced or processed in the United Kingdom and of other agricultural produce of the United Kingdom." At the request of Ministers, FFB focuses on its recognised areas of expertise, namely, its export promotion role and assisting the marketing of quality regional foods. FFB came into existence on 23rd March 1983.

Basis of accounts

These accounts have been prepared in the form directed by the Department for Environment, Food and Rural Affairs (Defra), the Minister for Environment and Rural Development in Scotland, the Minister for Environment, Planning and Countryside for Wales and the Department for Agriculture and Rural Development in Northern Ireland ('the Ministers'), with the approval of HM Treasury in accordance with the Agricultural Marketing Act 1983, as amended.

Management

FFB is governed by a non-executive Council, the Members of which represent a broad cross-section of the food industry. Each Member is appointed by Ministers for a three-year term of office, renewable subject to review. Day-to-day management is under the control of the Chief Executive, David McNair, and his Executive Management team.

Council

Chairman

Lady Jay (Sylvia) CBE

Members

David Baines, Timothy Bennett, John Bevington, Vincent Craig, David Croisdale-Appleby, David Dobbin CBE, Christine Dunn, Marie Francis OBE, C. Paul Grant MBE, Alan Hardie, Christine Lewis OBE, Carolyn Newman

Relevant information on Members' interests is available from FFB. Written requests should be addressed to the Finance & Administration Director at FFB, 4th Floor, Manning House, 22 Carlisle Place, London SW1P 1JA.

Executive Management Team

Chief Executive

David McNair

Marketing & International Management Director

Simon Waring

Business & UK Services Director

Charlotte Lawson

Finance & Administration Director

Anne Kynaston

Employees

FFB has adopted a Code of Conduct for Staff as recommended by government for use by Non-Departmental Public Bodies.

Employees are kept informed on a regular basis through a series of meetings involving them in FFB's performance and advising them of future plans. Additionally, consultations take place with employees so that their views may be taken into account in making decisions that are likely to affect their interest.

Disabled persons

In line with its standard practice towards applications for employment, FFB considers applications from disabled people on the basis of the qualifications and abilities of each individual. Should an employee become disabled during the course of employment, every practical effort would be made to allow him/her to continue in his/her employment.

Diversity and equality

FFB encourages staff involvement in the day-to-day running of its activities through normal line management contacts. Staff meetings are used to disseminate information. FFB encourages personal development and follows an equal opportunities policy for fair and open recruitment of permanent staff regardless of age, disability, sex or ethnic origin.

It is FFB policy that there shall be no discrimination against staff on grounds of colour, race, ethnic or national origins, religion, sex, sexual orientation, marital status, age or disability. Employment and promotion is solely on merit. Precisely the same standards apply in the assessment of women and men regardless of marital status, domestic responsibilities, ethnic or national origin. Staff who work reduced hours are assessed on exactly the same basis as those working full-time and without regard to part-time status, subsequent availability or availability of posts.

Employee involvement

FFB recognises the very large part that its staff has to play in the development of the organisation.

Supported by effective leadership, staff actively seek better ways to deliver FFB's outputs and develop, focus and exploit their skills to make maximum impact on the achievement of FFB's priorities.

Northern Ireland Equality Scheme

On 15th December 2004 the Northern Ireland Equality Commission granted an exemption from publishing an Equality Scheme under S75 of the Northern Ireland Act 1998.

Complaints Procedure

The Council, through the Chairman, is available to any member of the public who wishes to pursue any complaint. If not satisfied, the complainant can then refer the matter to the Parliamentary Ombudsman, who investigates complaints about maladministration or service failure on the part of FFB. Enquiries should be made directly to Office of the Parliamentary Commissioner for Administration, Millbank Tower, Millbank, London, SW1P 4QP. Tel: 0845 015 4033. Those in Scotland should instead contact the Scottish Public Services Ombudsman, 4 Melville Street, Edinburgh, EH3 7NS. Tel: 0800 377 7330. Complaints must be made within 12 months of the date on which you first had notice of the matter complained of.

Freedom of Information Act

Under the Freedom of Information Act 2000, which came into force on 1st January 2005, anybody may request information from a public authority which has functions in England, Wales and/or Northern Ireland. The Act requires that all requests are in writing (this does include emails), states clearly what information is required and states the name of the applicant, and an address for correspondence. Written requests should be addressed to the Administration Manager at FFB, 4th Floor, Manning House, 22 Carlisle Place, London SW1P 1JA. Information including our Publication Scheme may be found on our website.

Payment policy

It is the policy of FFB to pay suppliers for goods supplied and liabilities incurred in accordance with the terms of payment reached with each individual supplier. This policy has been adhered to throughout the year.

Auditor

Comptroller and Auditor General.

David McNair

David McNair

Chief Executive & Accounting Officer
21st June 2006

Management Commentary

Mission statements

- International: "To be the lead consultancy working in partnership with UK food and drink companies to promote the growth of their exports"
- Regional Food "To promote the growth of the quality regional food and drink sector in the UK and overseas".

In fulfilling the mission statements we focused on 11 key targets to deliver FFB's performance measures in 2005-06, from which a further 25 cascaded targets form the basis for individual areas of activity.

The aims and results of the 11 key targets, as well as the corresponding aims and results for 2004-05 are detailed in the table on page 14.

Aim and objectives of FFB

FFB's principal activities are the marketing and promotion of British food and drink overseas and the promotion and development of quality regional foods. During 2005-06, the aim was underpinned by two strategic objectives covering the span of our responsibilities:

- To maximise exports of food and drink produced or processed in the UK
- To increase production and consumption of quality regional food, both in absolute terms and as a proportion of the total market.

With the aim to achieve these objectives by:

- Providing a valued international market entry, development and management service to both new and experienced exporters in the UK's key export markets
- Carrying out a programme of national measures supporting the quality regional food sector, adding value to public support provided at regional level.

FFB's activities contribute in particular to the achievement of two of Defra's departmental objectives:

- To promote a sustainable, competitive and safe food supply chain which meets consumers' requirements
- To promote sustainable, diverse, modern and adaptable farming through domestic and international actions.

Defra's Strategy for Sustainable Farming and Food emphasises the importance, both to the UK economy generally and to UK producers in particular, of exports of value-added food and drink. It also stresses the advantages both for producers and for wider society of a thriving quality regional food and drink sector.

2005-06 Aim	2005-06 Result	2004-05 Aim	2004-05 Result
To achieve a minimum of 262 food and drink companies at international exhibitions of which 60% are to be SMEs.	Achieved. 285 exhibitors; 82% were SMEs.	To achieve 280 food and drink companies at international exhibitions of which 60% are SMEs.	Achieved. 282 exhibitors; 86% were SMEs.
To achieve combined increased sales of regional food and drink of £1.1m during 2005-06, giving a cumulative target over the 3-year programme of £4.5m.	Achieved. Delivered £2.1m	To achieve combined increased sales of regional food and drink of £1.03m during 2004-05.	Achieved. Delivered £1.28m
To work with 1,000 separate companies and achieve 1,800 active participations in events of an agreed programme, which differs from that of 2004-05.	Achieved. We have worked with 1,896 separate companies and there were 3,316 active participations in events.	To work worth 375 separate companies in the programme and achieve 1,500 active participations in events.	Achieved. We have worked with 1,998 separate companies and 2,453 companies have participated in events.
To continue to work with, and add measurable value to, the appropriate bodies in the devolved administrations and English regions to ensure FFB's services are made available to all UK food and drink companies as appropriate.	Achieved. FFB continues to work with the appropriate bodies in the devolved administrations and English regions as highlighted in this report.	To continue to work with the appropriate bodies in the devolved administrations and English regions to ensure FFB's services are made available to all UK food and drink companies.	Achieved. FFB continues to work with the appropriate bodies in the devolved administrations and English regions.
Achieve a minimum of 4 national media pieces (print/tv/radio), 25 trade pieces, and 6 pieces in key regional/local papers.	Achieved. 6 national pieces in support of FFB corporate, 175 trade pieces and 122 pieces in key regional/local papers.	Achieve a minimum of 6 national features (press/tv/radio) for FFB corporate and support the regional food target of achieving 100 media articles.	Achieved. 6 national pieces in support of FFB corporate and 158 articles highlighting regional food activity.
Support the regional food target of achieving 100 media articles highlighting regional food producers and their products.	Achieved. 236 articles generated.		
Assist 50 companies each year to export to New Markets.	Achieved. 138 companies assisted.	Assist 50 companies each year to export to New Markets.	Achieved. 67 companies helped.
To meet with a minimum of 130 new companies to discuss export opportunities, with 25% of new companies to become fee-paying FFB clients within 2 years of meeting.	Achieved. Met with 180 new companies. Average 25% conversion to fee-paying clients.	UK Client Development to meet with 130 new companies to discuss export opportunities.	Achieved. Met with 176 new companies.
To recruit at least 45 new Fast Track members as exporters in each year of the plan (this excludes associate members).	Achieved. 46 new exporter members recruited.	To recruit at least 45 new members as exporters in each year of the plan.	Achieved. 49 new members recruited.
Research and consultancy team to project manage from London at least 10 research projects in the year generating contribution of £98k.	Achieved. 16 projects were undertaken for clients, and a further 3 projects were undertaken as category research, generating contribution of £102k.	Research and consultancy team to project manage from London at least 10 research projects in each year of the plan.	Achieved. 16 projects managed.
FFB as a whole, being both London and the International Offices, to provide export services to at least 700 different companies in each year of the plan. 20% of these companies should be new to FFB, i.e. they should not have worked with FFB in the previous year.	Achieved. Total number of companies serviced is 822, of which 530 (64%) were new to FFB.	To provide export services to at least 620 different companies in each year of the plan. 20% of these companies should be new to FFB.	Achieved. Total number of companies serviced by FFB is 712, of which 35% are new to FFB.
		To review with Defra and agree the future format and content of reporting.	Achieved.

Corporate Plan 2004-07

This forms the strategic framework for FFB's medium/long-term activities, for the period 1st April 2004 – 31st March 2007.

The plan sets out the organisation's key strategic objectives, together with an indication of the activities and resources required to deliver those objectives at the required level of performance.

The strategic direction of the organisation is reviewed annually by Council each June. This review and others, relating to particular areas of activity, forms the basis for the detailed annual operational plans which are presented to Council each March and, once agreed with Defra, implemented in the following year.

FFB works closely with Defra and the devolved administrations, each of which is invited to be represented at the quarterly Council meetings as well as at quarterly performance review meetings with the Chief Executive and his Executive Management team. FFB operates in accordance with direction from Defra and is subject to regular formal review.

Events during the year

Defra extended its support for our English quality regional food and drink programme for a further two years to 31st March 2008, with £1m additional funding in each year.

Administration of the Protected Food Names Scheme for England was transferred from Defra to FFB with effect from 1st April 2006.

FFB secured a service level agreement for the provision of export marketing expertise with the Department of Agriculture and Rural Development for Northern Ireland and Invest Northern Ireland.

Financial review

Result for the year

The retained surplus for the year was £678k (2004-05: £898k).

The surplus of £678k is arrived at after releasing £69k (2004-05: releasing £324k) in respect of provisions (see Note 16), after net additional income of £274k (2004-05: income £525k) arising from the pension adjustment in respect of FRS17 (see Note 18).

The net additional income of £274k arising from FRS17 in the income and expenditure account is from a reduction in pension service costs of £97k (2004-05: £361k) and pension interest receivable of £177k (2004-05: £164k). The balance sheet has been enhanced by the inclusion of a pension asset of £1,484k (2004-05: £827k).

Significant variances against budget

The surplus for the year, prior to releasing £69k in respect of provisions and prior to net additional income of £274k arising from the pension adjustment in respect of FRS17, being £335k, was against an original budget of £66k.

The difference of £269k is principally due to the additional surplus generated by Exhibitions and Events of £162k, additional bank interest generated of £23k and underspend of £43k in relation to International Network project funding.

How is FFB's Grant-in-aid spent?

A total of £2.507m (2004-05: £2.541m), relating to fees and project funding combined, was paid to the International Network, representing 39% (2004-05: 40%) of the total Grant-in-aid received. As a result of their collaboration with FFB, the offices earn consultancy revenue as well as revenue from local promotional activity. Although not included in the accounts of FFB, the International Network has reported that this support has generated consultancy revenue and third party project income totalling some £3.762m (2004-05: £3.988m).

A total of £1.438m (2004-05: £1.263m), has been spent on the promotion of Regional Food, representing 23% (2004-05: 20%), of total Grant-in-aid received.

A further 12% (2004-05: 13%), some £782k net (2004-05: £796k net), is applied to other core activities such as Exhibitions and Events, Fast Track, Research and Marketing Services, New Market Development, Client Development and Corporate Communications.

Staff costs, administrative costs and other costs account for the remaining £1.641m (2004-05: £1.768m), representing 26% (2004-05: 27%) of total Grant-in-aid received.

Going Concern

The balance sheet as at 31st March 2006 shows total reserves of £2,479k. This consisted of Pension Reserve £1,484k, General Reserve £926k and Government Grant Reserve of £69k.

The future financing of FFB's liabilities is accordingly to be met by future Grant-in-aid from Defra which is approved annually by Parliament. Such approval for amounts required for 2006-07 has already been given and there is no reason to believe that future approvals will not be forthcoming. It has accordingly been considered appropriate to adopt a going concern basis for the preparation of these accounts.

Having made appropriate enquiries and reviewed management reports, FFB's Council is satisfied that there exists a reasonable expectation that adequate resources exist for FFB to continue in operational existence for the foreseeable future.

Events since the Balance Sheet date

Defra have advised that their Management Board require all NDPBs to commit to no more than 95% of 2006-07 operating budget ahead of Defra's mid-year review in October. It is the intention of FFB to deliver the Operational Plan 2006-07 as agreed by Council. This will be achieved by utilising the budgeted surplus for 2006-07 or drawing on the General Reserve to bridge the 5% gap.

Under the terms of the five-year contracts in place with the International Network, a year's notice was given to each of the offices with effect from 1st April 2006. A full and formal tendering process was started during the year and is expected to be completed by 30th June 2006.

The Land and Buildings lease rent review was undertaken as at 1st April 2006. The results of this review are awaited.

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 the Comptroller and Auditor General is unaware. The Accounting Officer has taken all the steps that he ought to have taken to make himself aware of any relevant audit information and to establish that the Comptroller and Auditor General is aware of that information.

David McNair

David McNair

Chief Executive & Accounting Officer
21st June 2006

Remuneration Report

Membership of the Remuneration Committee

The Members of the Remuneration Committee are Non-executive Council Members appointed by the Council. It consists of a Chair and at least one other Council Member, plus the Chairman of Council. Membership at 31st March 2006 consisted of Vincent Craig (Chair), Timothy Bennett, C. Paul Grant MBE and Lady Jay (Sylvia) CBE.

Membership is reviewed every three years, or on termination of a Member's appointment. With the exception of the Chairman of Council, Members may serve on the Committee for a maximum of six consecutive years. The Chairman of Council will serve on the Committee for the duration of his or her appointment as Chairman of Council.

Policy on the remuneration of the Council and Chief Executive

The remuneration of the Chairman of Council is determined by Defra. The current remuneration is £50,730 per annum.

The remuneration of Council Members is determined by Defra. The current remuneration is £1,800 per annum, £900 of which is paid as a retainer, with the remaining £900 being paid pro-rata for each Council meeting attended.

The Chief Executive's salary and conditions of service are determined by the Chairman of Council, but take into account consultations with Defra (on behalf of the devolved administrations). The salary is reviewed annually with adjustments taking account of performance. The most recent review was in June 2006, when the Remuneration Committee recommended that the annual salary of the Chief Executive should increase by 3.5 per cent with effect from 1st April 2006.

The Committee considers all aspects of remuneration and determines the specific remuneration packages including service contracts, basic annual salaries, bonus schemes, pension contributions and benefits in kind for all FFB staff.

Methods used to assess whether performance conditions are met

The Committee considers and if appropriate approves the Chairman of Council's recommendations concerning the salary and incentive scheme for the Chief Executive on an annual basis.

In order to achieve this, the Committee is provided with a report summarising public sector guidelines and a schedule detailing outturn against Defra approved targets.

On this basis the Remuneration Committee recommended a bonus for the Chief Executive for the year ended 31st March 2006 of £12,634.

Proportion of remuneration which is subject to performance conditions

None of the remuneration of any Council Member is subject to performance conditions.

The incentive scheme for the Chief Executive is restricted to a maximum of 15% of basic salary.

Policy on duration of contracts and notice periods and termination payments

Ministers have the right to terminate the appointment of a Council Member for any of the reasons specified in the 1983 Act (Schedule 1, paragraph 4(4)). Council 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.

The notice period for the Chief Executive is determined by Council. The Chief Executive's service contract is terminable by either party, and requires 12 months notice. No termination payments apply.

Council Member/Chief Executive	Appointment	Completion
Lady Jay (Sylvia) CBE	1st January 2006	31st December 2008
Gordon Summerfield CBE	1st January 2000	31st December 2005
David Baines	1st September 2003	31st August 2006
Timothy Bennett	1st June 2005	31st May 2008
John Bevington	11th December 2002	10th December 2008
Vincent Craig	2nd June 2002	1st June 2008
David Croisdale-Appleby	28th March 2003	27th March 2009
David Dobbin CBE	2nd December 2003	1st December 2006
Christine Dunn	11th December 2002	10th December 2008
Marie Francis OBE	28th March 2003	27th March 2009
Stuart Gates	1st September 2003	27th February 2006
C. Paul Grant MBE	1st January 2001	31st December 2006
Alan Hardie	1st June 2004	31st May 2007
Christine Lewis OBE	1st January 2001	31st December 2006
Carolyn Newman	1st September 2003	31st August 2006
David McNair	17th January 2000	Not applicable

Pension arrangements

The Chief Executive is entitled to a percentage of his basic annual salary to be paid into the FFB Retirement Benefit Scheme, which is a defined benefit scheme. The pension arrangements are the same as those for all other employees who are members of the scheme. Employer's contributions of 30% and employee contributions of 1.5% of gross salary were paid during the year (2004-05: 3% and 1.5% respectively).

Benefits in kind

The Chief Executive is entitled to a car allowance of £4,910 per annum. (2004-05: £4,910 per annum).

Remuneration of the Council and Chief Executive

This, together with information on accrued pension benefits (Chief Executive only) is detailed in Note 10 to the Accounts.



David McNair

Chief Executive & Accounting Officer
21st June 2006

Statement of Accounting Officer's Responsibilities

Under the Agricultural Marketing Act 1983, as amended, the Ministers have directed FFB 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 accrual basis and must give a true and fair view of the state of affairs of FFB and of its income and expenditure, recognised gains and losses and cash flows for the financial year.

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

- observe the accounts direction issued by the 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 accounts;
- prepare the accounts on a going concern basis.

The Ministers have appointed David McNair Accounting Officer of FFB. The responsibilities of the 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 FFB's assets, are set out in the Accounting Officer's Memorandum, issued by HM Treasury and published in Government Accounting.

Statement on Internal Control

Scope of responsibility

As Accounting Officer, it is my responsibility to maintain a sound system of internal control that supports the achievement of FFB's policies, aims and objectives, safeguards the public funds and assets for which I am personally responsible and accords with the responsibilities assigned to me in Government Accounting. In addition, I am accountable to the Principal Accounting Officer of Defra, to enable her to discharge her overall responsibility for ensuring that FFB, as a Defra Non-Departmental Public Body, has adequate financial systems and procedures in place.

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 an ongoing process designed to identify and prioritise the risks to the achievement of FFB 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 in place in FFB for the year ended 31st March 2006 and up to the date of approval of the Annual Report and Accounts, and accords with HM Treasury guidance.

The risk and control framework

Corporate governance Council

FFB is controlled by an independent Council appointed jointly by the Ministers. These appointments are undertaken in accordance with the Office of the Commissioner for Public Appointments (OCPA) and the code of best practice set out in the Nolan Committee's First Report on Standards in Public Life.

At 31st March 2006, FFB's Council consisted of 13 Members including the Chairman. Details of the composition of the Council are shown on page 35. The Council, through the Chairman, is available to any member of the public who wishes to pursue any complaint. Records of meetings, strategic plans, budgets, etc. are available, subject to the protection of commercial confidentiality, from 4th Floor, Manning House, 22 Carlisle Place, London SW1P 1JA.

Council meets at least four times a year. Meetings are properly conducted and decisions properly made and recorded. Minutes are filed systematically and available for review. The details provide convincing evidence that the Council is advised satisfactorily, that it regularly discusses matters of key importance to FFB and that it reviews key documents such as the Corporate Plan, the Operational Plan, and the Budget and performance reports. Final approval of the Annual Report and Accounts is delegated to the Audit Committee.

Members of the Council have adopted a Code of Practice in regard to their behaviour. The Code adopted is that recommended by government for use by the Members of Non-Departmental Public Bodies and covers public service values, standards in public life, the role of Council Members, handling conflicts of interest, the personal liability of Council Members and the seven principles of public life.

Statement of Council Members' responsibilities

Council Members are required by the Agricultural Marketing Act 1983, and supplemental agreements, to prepare accounts for each financial year that give a true and fair view of the state of affairs of FFB at the end of that financial year and of the income and expenditure for that year.

In preparing the accounts, Council Members have adopted suitable accounting policies, which have been consistently applied and are supported by reasonable, prudent judgements and estimates and have complied with all applicable accounting standards and the directions of the Ministers, with the approval of HM Treasury in accordance with the Agricultural Marketing Act 1983, as amended.

Council Members are responsible for ensuring that FFB keeps proper accounting records, which disclose with reasonable accuracy at any time the financial position of FFB and for ensuring that the accounts comply with the directions given by the Ministers. In addition, Council Members are responsible for safeguarding the assets of FFB and for taking reasonable steps for the prevention and detection of fraud and other irregularities. FFB's Council is satisfied that appropriate control systems are in place within FFB's management to achieve these ends.

Audit Committee

The Members of the Audit Committee are Non-executive Council Members appointed by the Council for the remaining duration of their Council term. It consists of a Chair, which must not be the Chairman of Council, and at least two other Council Members. Membership at 31st March 2006 consisted of Christine Lewis OBE (Chair), John Bevington, David Croisdale-Appleby and Marie Francis OBE.

Membership is reviewed every three years, or on termination of a Member's appointment. Members may serve on the Committee for a maximum of six consecutive years.

The Audit Committee meets at least three times a year and the Chair of the Audit Committee may convene additional meetings, as he/she deems necessary. During 2005-06 meetings were held in April, June and November.

The responsibilities of the Audit Committee are to receive reports on the Internal and External Auditors' findings of FFB's affairs, and to review internal accounting and financial procedures. Issues considered by the Audit Committee are covered in a continuous cycle of investigation in which some are reviewed annually and others less frequently, depending on their importance to the business and current circumstances.

During the year Christine Lewis OBE (Chair) and David Croisdale-Appleby attended a 'Best Practice for Audit Committees in Government' conference and John Bevington and Marie Francis OBE attended 'Induction Seminar for Audit Committee Members'.

Risk management and risk strategy

The Audit Committee has a fundamental role to play in the management of risk. Its role is to set the tone and influence the culture of risk management within FFB, which includes determining what types of risk are acceptable and which are not and determining the appropriate level of exposure for FFB as advised by the Chief Executive.

The following key functions outline the role of the Audit Committee:

- Make recommendations to Council in respect of major decisions proposed by the Executive affecting FFB's risk profile or exposure.
- Monitor the management of fundamental and significant risks to reduce the likelihood and impact of adverse risk events occurring.
- Satisfy itself that the less significant risks are being actively managed, with the appropriate controls in place and working effectively.
- Annually review FFB's approach to risk management and approve changes or improvements to key elements of its processes and procedures.

The following key principles outline FFB's approach to risk management and risk strategy:

- The Accounting Officer and the Executive propose, support and implement policies approved by the Audit Committee.
- Key risk indicators are identified and closely monitored in the organisation-wide Risk Register which is reviewed and updated quarterly by the Executive, with fundamental and significant risks being reported at each Audit Committee meeting.
- An open and receptive approach to solving risk problems is adopted by Risk Owners and Risk Managers.

- Risk Owners and Risk Managers are responsible for encouraging good risk management practice within their departments.
- FFB makes conservative and prudent recognition and disclosure of the financial and non-financial implications of risks.

The Audit Committee advises the Accounting Officer and Council on:

- The strategic processes for risk, control and governance and the Statement on Internal Control.
- The accounting policies, the Accounts, and the Annual Report of FFB, levels of error identified, and management's Letter of Representation to the External Auditors.
- The planned activity, findings and all relevant reports by the Comptroller and Auditor General, Defra Internal Audit and Head of Internal Audit.
- The adequacy of management responses to issues identified in reports by Internal Audit. These are to Government Internal Audit Standards and include their independent opinion on the adequacy and effectiveness of the system of internal control together with recommendations for improvement (the Council believes that the resources of FFB will not currently sustain an in-house internal auditor and consequently outsource this function).
- The adequacy of management responses to issues in External Auditor's management letter.

Strategy and planning

The Corporate Plan forms the strategic framework for FFB's medium/long-term activities. The current Corporate Plan covers the period 1st April 2004 – 31st March 2007.

The plan sets out the organisation's key strategic objectives, together with an indication of the activities and resources required to deliver those objectives at the required level of performance. The strategic direction of the organisation is reviewed annually by Council each June. This review and others, relating to particular areas of activity, forms the basis for the detailed annual operational plans which are presented to Council each March and, once agreed with Defra, implemented in the following year.

FFB works closely with Defra and the devolved administrations, each of which is invited to be represented at the quarterly Council meetings as well as at quarterly performance review meetings with the Chief Executive and his Executive Management team. FFB operates in accordance with direction from Defra and is subject to regular formal review.

In October each year, budget holders, in consultation with their Director, are required to forecast year end figures for their department and also draw up an Annual Budget for the coming year, with consideration towards the Corporate Plan. The figures are consolidated and year end forecasts are compared to the current year budget and also to the Annual Budget and Corporate Plan for the coming year. This is then discussed by the Executive and the Finance Manager and if necessary individual budget holders. The Annual Budget is put to the Council at their March meeting for approval and individual budget holders are issued with their budgets for the coming year.

Performance management

Objectives and key targets are agreed within FFB's corporate and operational planning process. Defra determines the framework within which they are set so as to be consistent with Defra's Public Service Agreement.

A database of management information and accounting systems are in operation, which enables FFB to review in a timely and effective manner its financial and non-financial performance against the budgets and targets set out in the agreed Corporate Plan and Operational Plan.

At the end of the month following the end of each quarter, FFB submits to Defra and the devolved administrations, a report of its performance against the targets in its Corporate Plan and Operational Plan. Quarterly meetings are held between FFB and officials to discuss progress against targets so as to ensure that Defra and devolved administrations are fully aware of all issues and have an input into direction and planning.

Staff work objectives are linked to the key and cascaded targets as outlined previously in the Management Commentary. For Risk Owners and Risk Managers, work objectives are also linked to the effective management of the risks assigned to those individuals.

Each month, budget holders are provided with a financial summary of their projects, which form part of the management accounts. The management accounts are prepared on a monthly basis and commentary is provided on each department. These are reviewed and discussed by the Finance Manager, Finance Director and Chief Executive and any amendments made prior to them being issued to the Executive and Defra. They represent an integral part of the organisation's budgetary control and financial management and are presented to Council on a quarterly basis.

The performance targets are specific, measurable, achievable, relevant and time-limited. The setting of corporate bonus targets, which are stretch targets, across different areas of the organisation, ensures good performance throughout FFB.

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 Internal Audit, the Executive Management Team within FFB who has responsibility for the development and maintenance of the internal control framework, and comments made by the External Auditors in their management letter and other reports. Internal Audit operates to Government Internal Audit Standards and produces reports including an annual report by the Head of Internal Audit giving an independent opinion on the adequacy and effectiveness of internal control in FFB.

I have been advised on the implications of the result of my review of the effectiveness of the system of internal control by the Council and Audit Committee and a plan to address weaknesses and ensure continuous improvement of the system is in place.

David McNair

David McNair

Chief Executive & Accounting Officer
21st June 2006

The Certificate and Report of the Comptroller and Auditor General to the Houses of Parliament and the Scottish Parliament

I certify that I have audited the accounts of Food from Britain for the year ended 31st March 2006 on pages 21 to 34 under Section 5 of the Agricultural Marketing Act 1983 as amended by the Government Resources and Accounts Act 2000 (Audit of Public Bodies) Order 2003. These comprise the Income and Expenditure Account, the Balance Sheet, the Cashflow Statement and Statement of Total Recognised Gains and Losses and the related notes. These accounts have been prepared under the accounting policies set out within them.

Respective responsibilities of the Council, Accounting Officer and Auditor

The Council and Accounting Officer are responsible for preparing the Annual Report, the Remuneration Report and the accounts in accordance with Section 5 of the Agricultural Marketing Act 1983 and HM Treasury directions made thereunder and for ensuring the regularity of financial transactions. These responsibilities are set out in the Statement of Council Members' Responsibilities and Statement of Accounting Officer's Responsibilities.

My responsibility is to audit the accounts in accordance with relevant legal and regulatory requirements, and with International Standards on Auditing (UK and Ireland).

I report to you my opinion as to whether the accounts give a true and fair view and whether the accounts and the part of the Remuneration Report to be audited have been properly prepared in accordance with Section 5 of the Agricultural Marketing Act 1983 and HM Treasury directions made thereunder. I also report whether 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. I also report to you if, in my opinion, the Annual Report is not consistent with the accounts, if Food from Britain has not kept proper accounting records, if I have not received all the information and explanations I require for my audit, or if information specified by relevant authorities regarding remuneration and other transactions is not disclosed.

I review whether the statement on pages 17 to 19 reflects Food from Britain's compliance with HM Treasury's guidance on the Statement on Internal Control, and I report if it does not. I am not required to consider whether the Accounting Officer's statement on internal control covers all risks and controls, or form an opinion on the effectiveness of Food from Britain's corporate governance procedures or its risk and control procedures.

I read the other information contained in the Annual Report and consider whether it is consistent with the audited accounts. This other information comprises only the Annual Report, Management Commentary and the unaudited part of the Remuneration Report. I consider the implications for my report if I become aware of any apparent misstatements or material inconsistencies with the accounts. My responsibilities do not extend to any other information.

Basis of audit opinion

I conducted my audit in accordance with International Standards on Auditing (UK and Ireland) issued by the Auditing Practices Board. My audit includes examination, on a test basis, of evidence relevant to the amounts, disclosures and regularity of financial transactions included in the accounts and the part of the Remuneration Report to be audited. It also includes an assessment of the significant estimates and judgments made by the Council and Accounting Officer in the preparation of the accounts, and of whether the accounting policies are most appropriate to Food from Britain's circumstances, consistently applied and adequately disclosed.

I planned and performed my audit so as to obtain all the information and explanations which I considered necessary in order to provide me with sufficient evidence to give reasonable assurance that the accounts and the part of the Remuneration Report to be audited are free from material misstatement, whether caused by fraud or error and that 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. In forming my opinion I also evaluated the overall adequacy of the presentation of information in the accounts and the part of the Remuneration Report to be audited.

Opinions

In my opinion:

- the accounts give a true and fair view, in accordance with Section 5 of the Agricultural Marketing Act 1983 and directions made thereunder by HM Treasury, of the state of Food from Britain's affairs as at 31st March 2006 and of its surplus, total recognised gains and losses and cash flows for the year then ended;
- the accounts and the part of the Remuneration Report to be audited have been properly prepared in accordance with Section 5 of the Agricultural Marketing Act 1983 and HM Treasury directions made thereunder; and
- 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.

I have no observations to make on these accounts.



John Bourn

Comptroller and Auditor General
National Audit Office
157-197 Buckingham Palace Road
London SW1W 9SP
23rd June 2006

Income and Expenditure Account

for the year ended 31st March 2006

	Note	2005-06 £	2004-05 £
Income			
Government Grants	3	6,368,000	6,368,000
Exhibitions and Events	4	2,018,732	2,118,375
Other activities	8	673,245	699,878
		9,059,977	9,186,253
Expenditure			
International Network	5	(2,506,704)	(2,540,620)
Exhibitions and Events	4	(1,978,148)	(2,121,447)
Regional Food Activity	6	(1,437,980)	(1,263,222)
Other activities	8	(1,495,350)	(1,354,726)
Operating expenditure		(7,418,182)	(7,280,015)
Staff costs	10	(616,473)	(579,135)
Administrative costs	11	(583,285)	(657,631)
		(8,617,940)	(8,516,781)
Operating surplus		442,037	669,472
Notional cost of capital		(92,023)	(67,926)
Other finance income	9	249,856	243,668
Surplus before taxation		599,870	845,214
Taxation	12	(13,843)	(15,137)
Reversal of notional cost of capital		92,023	67,926
Retained surplus for the year		678,050	898,003
All income and expenditure relates to continuing operations.			
Statement of Total Recognised Gains and Losses			
Retained surplus for the year		678,050	898,003
Pension actuarial gain/(loss)	17a	382,564	(266,907)
Capital Grant to purchase fixed assets	17b	51,642	59,472
Depreciation and loss on disposals	17b	(53,516)	(55,485)
Total gains and losses recognised since last Annual Report		1,058,740	635,083

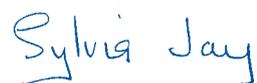
The notes on pages 24 to 34 form an integral part of the accounts.

Balance Sheet

as at 31st March 2006

	Note	£	2005-06 £	£	2004-05 £
Fixed assets					
Tangible assets	13		68,841		70,715
Current assets					
Debtors	14	397,315		532,545	
Cash at bank and in hand	20	1,675,290		1,531,447	
		2,072,605		2,063,992	
Current liabilities					
Amounts falling due within one year	15	(996,215)		(1,020,966)	
Net current assets			1,076,390		1,043,026
Pension asset	18	1,484,000		827,000	
Provisions for liabilities and charges	16	(150,312)		(520,562)	
Net total assets			2,478,919		1,420,179
Financed by					
General Reserve	17a		2,410,078		1,349,464
Government Grant Reserve	17b		68,841		70,715
			2,478,919		1,420,179

The accounts were approved by the Council on 21st June 2006.
Signed on behalf of the Council



Lady Jay (Sylvia) CBE, Chairman



David McNair, Chief Executive and Accounting Officer

The notes on pages 24 to 34 form an integral part of the accounts.

Cash Flow Statement

for the year ended 31st March 2006

	Note	2005-06 £	2004-05 £
Reconciliation of operating surplus to net cash flow from operating activities:			
Operating surplus		442,037	669,472
Pension service costs		(97,436)	(360,907)
Decrease in debtors		135,230	137,840
Decrease in creditors		(393,707)	(700,595)
Net cash inflow/(outflow) from operating activities		86,124	(254,190)
Returns on investments and servicing of finance			
Interest received		72,856	79,668
Taxation			
Corporation tax paid		(15,137)	(7,048)
Transfer to/(from) liquid reserves		100,000	(500,000)
Increase/(decrease) in cash		243,843	(681,570)
Reconciliation of net cash flow to movement in net funds			
Increase/(decrease) in cash		243,843	(681,570)
Transfer (from)/to liquid reserves		(100,000)	500,000
Net funds at 1st April		1,531,447	1,713,017
Net funds at 31st March	20	1,675,290	1,531,447

The notes on pages 24 to 34 form an integral part of the accounts.

Notes to the Accounts

1. FORM OF ACCOUNTS

These accounts are prepared in the form directed by the Ministers with approval of HM Treasury, under Section 5 of the Agricultural Marketing Act 1983, and on the basis of the accounting policies in Note 2. Without limiting the information given, the accounts meet the requirements of the Companies Act 1985.

2. ACCOUNTING POLICIES

The accounts have been produced in accordance with applicable accounting standards issued by the UK accounting bodies and the particular accounting policies adopted are described below.

Accounting convention

The accounts have been prepared under the historical cost convention.

Income recognition

Grants of a revenue nature are credited to income in the year to which they relate. Government grants utilised for the acquisition of fixed assets are credited to the Government Grant Reserve.

All other sources of income are recognised net of VAT and trade discounts.

Income and expenditure account surplus

The present directive, issued by Defra in respect of receipts other than government grants, stipulates that a surplus may only arise in a Division where actual cash receipts are in excess of budgeted cash receipts for any financial year. This surplus may be used to finance further expenditure or be credited to an unallocated reserve account for use in subsequent financial years.

Depreciation

Depreciation is provided against tangible fixed assets on a straight-line basis at rates calculated to write off the cost, less estimated residual value, over the expected useful life of the asset at the following annual rates:

Fixtures and fittings	20%
Office equipment	20%
Computer equipment	33%
Motor vehicle	25%

Leased assets

Rental costs under operating leases are charged to the Income and Expenditure Account in equal amounts over the term of the lease.

Pension costs

FFB operates a defined benefit pension scheme for all employees, whereby pensions are provided through a contracted out final salary scheme invested with and administered by Clerical Medical. The pension charge for the year has been calculated by an independent qualified actuary in accordance with FRS17, as explained further in Note 18.

Foreign exchange

Transactions in foreign currencies are translated into sterling at the rates ruling at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the Balance Sheet date are translated at the rates ruling at that date. Translation differences are dealt with through the Income and Expenditure Account.

Liquid reserves

All liquid reserves are in the form of cash and deposits repayable on demand with any financial institutions.

Financial instruments

FFB has no borrowings and relies primarily on departmental grants for its cash requirements and is therefore not exposed to liquidity risks.

All material assets and liabilities are denominated in sterling so it is not exposed to currency risk.

Cost of capital

The cost of capital represents the opportunity cost to the Exchequer of assets used by FFB and is calculated at HM Treasury's set rate of 3.5% (2004-05: 3.5%) on net total assets excluding provisions.

	2005-06 £	2004-05 £
3. GOVERNMENT GRANTS		
Grant-in-aid from Defra – includes £260,000 relating to Regional Food activity	5,368,000	5,368,000
Additional Grant-in-aid funding from Defra for Regional Food activity (Note 6)	1,000,000	1,000,000
Total	6,368,000	6,368,000

4. EXHIBITIONS AND EVENTS

FFB provides a comprehensive exhibition programme offering a diverse range of events for UK exporters in both established and developing markets. FFB obtains financial support in the form of SESA grants for exhibitors from UK Trade and Investment (UKT&I) where possible and itself receives a management fee.

	2005-06 £	2004-05 £
Grants receivable from UKT&I for exhibitors	351,004	319,888
Grants receivable from UKT&I for FFB	62,100	46,000
Total grant income from UKT&I	413,104	365,888
Income from exhibitors and delegates	1,605,628	1,752,487
Total income	2,018,732	2,118,375
UKT&I funds payable to exhibitors	351,004	319,888
Staff costs allocated (Note 10)	206,198	190,463
Other costs	1,420,946	1,611,096
Total expenditure	1,978,148	2,121,447

5. INTERNATIONAL NETWORK

FFB operates in the major export markets through carefully selected partners who carry the FFB name and provide expertise and a centre of excellence available to UK exporters or potential exporters. Under the terms of the five-year contracts in place from 1st April 2002, each office is paid a fee by FFB to cover an agreed level of management resourcing.

The services of the offices are available to FFB clients on a commercial basis and the offices earn consultancy revenue. In addition, each office submits proposals to FFB for funding in support of specific projects designed to promote UK exports in the markets concerned. In order to receive funding, the offices are usually required to demonstrate matched funding from third parties.

Notes to the Accounts continued

	2005-06 Fees £	2005-06 Projects £	2005-06 Total £	2004-05 Total £
Total fees and project funding paid to the International Network				
Belgium	170,000	94,939	264,939	283,429
France	225,000	125,522	350,522	364,630
Germany/Switzerland/Austria	225,000	112,306	337,306	332,244
Italy	170,000	128,879	298,879	313,939
The Netherlands	170,000	199,653	369,653	375,103
Nordic	170,000	82,250	252,250	258,253
North America	200,000	78,067	278,067	251,636
Portugal	50,000	27,831	77,831	76,292
Spain	170,000	107,257	277,257	285,094
Total	1,550,000	956,704	2,506,704	2,540,620

6. REGIONAL FOOD ACTIVITY

As part of the government's Strategy for Sustainable Farming and Food, Defra granted FFB additional funding of £1m per annum for a minimum of three years commencing 2003-04. Following an evaluation of the strategy during 2005-06, this was extended for a further two years, again with additional funding of £1m in each year. This additional funding enables FFB to deliver key growth targets for the sector developed from the government's strategy for regional food and drink designed to encourage and develop a flourishing, high-quality regional foods sector in England. This funding is in addition to continuing grant-in-aid of £260k to support activity across the UK, giving total funding of regional food activity amounting to £1.26m (2004-05: £1.26m). Expenditure during the year amounted to £1.44m (2004-05: £1.26m).

7. FAST TRACK

Fast Track is the membership arm of FFB and provides a range of benefits to help companies develop food and drink export business. At 31st March 2006, there were 173 members (2005: 161), of whom 48 members (2005: 51) joined during the year. Subscriptions from members amounted to £232.1k (2004-05: £209.5k) as included in Note 8 below. In addition to the expenditure included in Note 8 below, Fast Track members also receive PMAs, the cost of providing which form part of the contracted fee with the International Network, as included in Note 5 above.

	2005-06 Income £	2005-06 Expenditure £	2005-06 Net £	2004-05 Net £
8. OTHER ACTIVITIES				
Fast Track (Note 7)	232,100	(95,160)	136,940	56,296
Research and Marketing Services	234,505	(321,661)	(87,156)	(66,194)
New Market Development	206,640	(499,197)	(292,557)	(349,010)
Client Development	–	(354,018)	(354,018)	(272,591)
Corporate Communications	–	(225,314)	(225,314)	(161,692)
Total core activities	673,245	(1,495,350)	(822,105)	(793,191)
Foot and Mouth Recovery Plan	–	–	–	138,343
Total	673,245	(1,495,350)	(822,105)	(654,848)

9. OTHER FINANCE INCOME	2005-06 £	2004-05 £
Bank interest receivable	72,856	79,668
Pension fund interest receivable	177,000	164,000
Total	249,856	243,668

10. STAFF COSTS	2005-06 £	2004-05 £
Council Members' remuneration (see Note 10b)	75,105	76,793
Staff salaries including bonus payments	1,112,142	1,041,748
Social Security costs	107,577	99,752
Pension service costs (see Note 18)	187,000	159,000
Total	1,481,824	1,377,293

In pursuance of activity-based costing, staff costs have been allocated to activities as follows:

	2005-06 £	2004-05 £
Exhibitions and Events	206,198	190,463
New Market Development	142,215	180,611
Research and Marketing Services	126,178	88,691
Fast Track	18,003	53,019
Client Development	122,733	63,416
Corporate Communications	72,737	68,183
Regional Food Activity	177,287	153,775
Allocated to operating expenditure	865,351	798,158
Council	88,760	87,789
Executive	214,556	201,245
Finance/Administration	272,245	251,973
International Office Management	40,912	38,128
Total	616,473	579,135
Grand total	1,481,824	1,377,293

Notes to the Accounts continued

(a) The average number of employees and Council Members during the year was	2005-06	2004-05
Employees	26	26
Council Members	15	16
Total	41	42

(b) Council Members' remuneration	2005-06 £	2004-05 £
Lady Jay (Sylvia) CBE (appointed Chairman January 2006)	14,032	1,800
Gordon Summerfield CBE (appointment completed December 2005)	38,048	49,493
David Baines	1,575	1,800
Timothy Bennett (appointed June 2005)	975	–
John Bevington	1,800	1,575
Vincent Craig	2,250	1,800
David Croisdale-Appleby	1,575	1,800
David Dobbin	1,800	1,800
Christine Dunn	1,800	1,800
Marie Francis OBE	1,575	1,800
Stuart Gates (resigned February 2006)	1,125	1,575
Sir Ben Gill CBE (appointment completed April 2005)	–	1,575
C. Paul Grant MBE	2,700	1,800
Alan Hardie	1,800	1,650
Christine Lewis OBE	2,250	2,700
Carolyn Newman	1,800	1,800
Tom Vyner CBE (appointment completed April 2005)	–	2,025
Total	75,105	76,793

In addition, Gordon Summerfield received benefits in kind amounting to £2,963 (2004-05: £3,852); no other Council Member received benefits in kind.

(c) Directors' remuneration

The emoluments of the Directors, none of whom is a Council Member, were as follows:

Year to 31st March 2006	Salary £	Bonus £	Car allowance £	Benefit in kind – motor vehicle £	2005-06 Total £	2004-05 Total £
David McNair	118,908	12,634	4,910	–	136,452	130,188
Anne Kynaston	58,350	5,835	–	–	64,185	62,315
Charlotte Lawson	69,345	6,935	–	–	76,280	74,058
Simon Waring	80,971	8,097	–	7,236	96,304	93,420
Total	327,574	33,501	4,910	7,236	373,221	359,981

Bonus payments arise from achieving a set of corporate objectives agreed with the Remuneration Committee and with Defra.

(d) Directors' pensions – consent to disclose age withheld

	Increase in accrued pension for year to 31st March 2006	Accrued annual pension entitlement at 31st March 2006
David McNair	2,477	12,386
Anne Kynaston	1,030	2,918
Charlotte Lawson	1,442	10,980
Simon Waring	1,932	21,367

These pensions arrangements are the same as those for all other employees who are members of the scheme. The total accrued pension shown above is that which would be paid annually on retirement based on service to March 2006. The increase in accrued pension during the year excludes any increase for inflation. Employer's contributions of 30% and employee contributions of 1.5% of gross salary were paid during the year (2004-05: 3% and 1.5% respectively). Members of the scheme have the option to pay Additional Voluntary Contributions; neither these contributions nor any resulting benefits are included in the above table.

11. ADMINISTRATIVE COSTS

	2005-06 £	2004-05 £
Include the following:		
Auditors' remuneration – for audit services	15,000	16,750
Hire of office machinery	11,582	11,582
Other operating leases	165,177	165,177
Net exchange losses	2,644	8,199

The subcontractors to the External Auditor received payments of £8,215 (2004-05: £19,605), in relation to advice given on the tax treatment of certain transactions.

12. TAXATION

	2005-06 £	2004-05 £
Corporation tax on interest received @19%	13,843	15,137
Taxation for the current year	13,843	15,137

Notes to the Accounts continued

13. TANGIBLE FIXED ASSETS	Motor vehicle £	Fixtures and fittings £	Office equipment £	Computer equipment £	Total £
Cost					
At 1st April 2005	28,271	113,947	47,144	140,263	329,625
Additions	–	1,496	981	49,165	51,642
Disposals	–	(4,107)	(683)	(18,833)	(23,623)
At 31st March 2006	28,271	111,336	47,442	170,595	357,644
Depreciation					
At 1st April 2005	28,271	84,371	44,936	101,332	258,910
Charge for the period	–	10,410	1,142	41,205	52,757
Disposals	–	(4,107)	(367)	(18,390)	(22,864)
At 31st March 2006	28,271	90,674	45,711	124,147	288,803
Net book value					
At 31st March 2006	–	20,662	1,731	46,448	68,841
At 31st March 2005	–	29,576	2,208	38,931	70,715

Disposals of fixed assets acquired with Grant-in-Aid

Fixed assets with a net book value of £759 (2004-05: £nil) were disposed of during the year for a total consideration of £nil (2004-05: £nil). The net book value of these assets has been released from the Government Grant Reserve (Note 17b).

14. DEBTORS	2005-06 £	2004-05 £
Trade debtors	209,608	213,856
Other debtors	32,839	33,501
Prepayments and accrued income	154,868	285,188
Total	397,315	532,545

Amounts due from other bodies within the boundary set for the whole of government accounts are as follows;

Included in trade debtors are amounts due from Defra £6,293 (2004-05: £5,274), Home Grown Cereals Authority £nil (2004-05: £1,410).

Included in prepayments and accrued income are amounts due from Defra £nil (2004-05: £1,838).

15. CREDITORS	2005-06 £	2004-05 £
Trade creditors	410,222	472,286
Corporation Tax	13,843	15,137
Other creditors	1,171	857
Accruals and deferred income	570,979	532,686
Total	996,215	1,020,966

Amounts due to other bodies within the boundary set for the whole of government accounts are £nil (2004-05: £nil).

	ACPs £	Other provisions £	2005-06 Total £
16. PROVISIONS FOR LIABILITIES AND CHARGES			
As at 1st April	244,369	276,193	520,562
Liability discharged in year	(92,591)	(208,314)	(300,905)
Decrease in provision	(1,466)	(67,879)	(69,345)
As at 31st March	150,312	–	150,312

Annual Compensation Payments

Under FFB's previous terms and conditions of employment, certain personnel who were made redundant in 1989 and 1990 were eligible for Annual Compensation Payments (ACPs) up to their normal retirement age. These payments are increased each year to reflect movements in the Retail Price Index. Based on current levels of payment and inflation expectations, there is an estimated maximum future liability of £150,312, of which £87,118 falls due within one year.

Other Provisions

This was settled in full during the year against a notice of assessment of £208,314. The remaining £67,879 was released to the income and expenditure account.

17. MOVEMENT ON RESERVES

	General Reserve £	Pension Reserve £	2005-06 Total £
(a) General Reserve			
As at 1st April	522,464	827,000	1,349,464
Surplus for the year	403,614	274,436	678,050
Pension actuarial gain	–	382,564	382,564
As at 31st March	926,078	1,484,000	2,410,078

	2005-06 Total £
(b) Government Grant Reserve	
As at 1st April	70,715
Capital Grant to purchase fixed assets	51,642
Depreciation and loss on disposals	(53,516)
As at 31st March	68,841

Gains and losses on Government Grant Reserve as well as pension actuarial adjustments, have been recognised in the Statement of Total Recognised Gains and Losses.

18. PENSION COMMITMENTS

All employees are entitled to membership of the FFB Retirement Benefit Scheme, which is a defined benefit scheme. The Scheme is a funded scheme and the assets of the Scheme are held in trust, separated from those of FFB. Scheme assets are invested in the Clerical Medical Balanced Fund, and invested directly on the advice of independent professional investment managers. Pension costs are assessed on the advice of an independent qualified actuary using the projected unit cost method and the following main assumptions:

	% p.a.
a) inflation	3.00
b) investment return on the Fund, net of expenses	7.10
c) rate of increase in members' salaries	6.00
d) interest rate applying in retirement	4.75
e) rate of increase for pensions in payment and deferred pensions	3.00
f) rate used to discount scheme liabilities	7.10

Notes to the Accounts continued

The most recent full actuarial valuation of the Scheme was undertaken as at 1st April 2004 and received in February 2005. This showed that the value of the Scheme's assets amounted to £7.36m, representing 86% of the value of the benefits which had accrued to members, after allowing for projected future increases in salaries. Employer contributions at 30% of pensionable salaries and employee contributions at 1.5% of pensionable salaries were in force throughout the year. Total employer contributions paid in the year were £284k (2004-05: £520k).

FRS17 Retirement Benefits

The valuation used for FRS17 disclosure has been based on the most recent actuarial valuation at 1st April 2004, updated by an independent qualified actuary to take account of the requirements of FRS17 in order to assess the liabilities of the scheme at 31st March 2006. The assumptions made for calculating the liabilities as at 31st March 2005 and 2006 were as follows:

	31st March 2006	31st March 2005
Inflation	2.5%	2.5%
Salary escalation	4.5%	4.5%
Increases to pensions in payment		
Where subject to Pension Increase Review Order	2.5%	2.5%
Where subject to Pension Increase Review Order, minimum 3%	3.3%	3.3%
Statutory revaluation in deferment	2.5%	2.5%
Discount rate (pre and post retirement)	5.3%	6.0%

The following figures have been rounded to the nearest £'000.

The fair value of the assets at 31st March 2005 and 31st March 2006 and the expected rate of return for each category of assets are as follows:

	£	31st March 2006	£	31st March 2005
Equities	8,059,000	7.0%	6,625,000	8.3%
Property	100,000	7.4%	81,000	7.0%
Bonds	1,081,000	3.9%	843,000	4.4%
Cash and other net assets	1,472,000	3.9%	1,035,000	4.3%
Market value of scheme assets	10,712,000		8,584,000	
Present value of scheme liabilities	(9,228,000)		(7,757,000)	
Implied surplus in the scheme	1,484,000		827,000	

Statement of Total Recognised Gains and Losses

The amount recognised in the Statement of Total Recognised Gains and Losses can be analysed as follows:

	£	31st March 2006	£	31st March 2005
Actual return less expected return on pension scheme assets	1,396,000	13.0% of assets	240,000	2.8% of assets
Experience gains and losses arising on the scheme liabilities	103,000	1.1% of liabilities	(32,000)	(0.4)% of liabilities
Changes in assumptions underlying the present value of the scheme liabilities	(1,116,000)	(12.1)% of liabilities	(475,000)	(6.1)% of liabilities
Actuarial gain/(loss) recognised in Statement of Total Recognised Gains and Losses	383,000	4.2% of liabilities	(267,000)	(3.4)% of liabilities

The movement in surplus during the year is as follows (unless otherwise specified, the figures calculated are based on the assumptions as at the beginning of the year):

	31st March 2006 £	31st March 2005 £
Surplus in scheme at beginning of year	827,000	569,000
Movement in year:		
Current service cost	(187,000)	(159,000)
Contributions	284,000	520,000
Past service costs	–	–
Settlements and curtailments	–	–
Other finance income	177,000	164,000
Actuarial gain/(loss)	383,000	(267,000)
Surplus in scheme at end of year	1,484,000	827,000

The increase in the net pension surplus calculated under FRS17 is principally attributable to an increase in the market value of assets. Some 75% of the scheme's assets are invested in equities and these have been subject to significant market fluctuations.

19. FINANCIAL COMMITMENTS

Operating Leases

At 31st March 2006, FFB had annual commitments under non-cancellable operating leases as set out below:

	Land and Buildings £	Other £	2005-06 Total £	2004-05 Total £
Operating leases which expire				
Within 1 year	–	11,582	11,582	–
Within 2 to 5 years	172,000	–	172,000	183,582
Over 5 years	–	–	–	–
Total	172,000	11,582	183,582	183,582

The Land and Buildings lease has a rent review due on 1st April 2006 and a first break clause on 24th March 2008.

	At 1st April 2005 £	Cash flow £	At 31st March 2006 £
20. MOVEMENT IN NET FUNDS			
Cash at bank and in hand	31,447	243,843	275,290
Money on deposit	1,500,000	(100,000)	1,400,000
Total	1,531,447	143,843	1,675,290

Notes to the Accounts continued

21. RELATED PARTY TRANSACTIONS

FFB has entered into the following transactions with entities that its Directors believe to be related parties:

1. Grant-in-aid has been received from Defra as disclosed in Note 3. The balance outstanding at the year end was *£nil* (2005: *£nil*).

Capital Grants of *£51,642* (2004-05: *£59,472*) have also been received from Defra for the purchase of fixed assets. The balance outstanding at the year end was *£nil* (2005: *£nil*).

Project income of *£44,962* (2004-05: *£38,586*) was payable during the year. The balance outstanding at the year end was *£6,293* (2005: *£5,274*).

2. Under the terms of the five-year contracts in place, FFB exercises an element of influence over the operating and financial policies of the offices which comprise its International Network. During the year, grants totalling *£1,550,000*, (2004-05: *£1,550,000*) were paid to cover management resourcing in those offices. Details of project funding provided to these offices are included in Note 5. The net balance due to these offices at the year-end totalled *£275,805* (2005: *£244,334*).

3. Project income was received during the year from the following:

Bord Bia Taste Council Member, Stuart Gates, was a Member of the FFB Council during the year. The amount receivable in the year was *£283* (2004-05: *£1,195*) and the balance outstanding at the year end was *£33* (2005: *£nil*).

British Frozen Food Federation Council Member, Vincent Craig, was a Member of the FFB Council during the year. The amount receivable in the year was *£1,763* (2004-05: *£9,668*) and the balance outstanding at the year end was *£nil* (2005: *£nil*).

Food and Drink Federation Director General, Lady Jay (Sylvia) CBE, was a Member of the FFB Council during the year. The amount receivable in the year was *£705* (2004-05: *£588*) and the balance outstanding at the year end was *£nil* (2005: *£nil*).

Home Grown Cereals Authority Board Member, Marie Francis OBE, was a Member of the FFB Council during the year. The amount receivable in the year was *£39,266* (2004-05: *£15,807*) and the balance outstanding at the year end was *£nil* (2005: *£1,410*).

Leatherhead Food International Limited Chief Executive, John Bevington, was a Member of the FFB Council during the year. The amount receivable in the year was *£1,837* (2004-05: *£374*) and the balance outstanding at the year end was *£nil* (2005: *£nil*).

Mackays Limited Managing Director, Conrad Paul Grant MBE, was a Member of the FFB Council during the year. The amount receivable in the year was *£7,431* (2004-05: *£9,533*) and the balance outstanding at the year end was *£nil* (2005: *£nil*).

Paterson Arran Managing Director, Alan Hardie, was a Member of the FFB Council during the year. The amount receivable in the year was *£9,467* (2004-05: *£8,001*) and the balance outstanding at the year end was *£353* (2005: *£nil*).

Whittard of Chelsea Non-Executive Director, John Bevington, was a Member of the FFB Council during the year. The amount receivable in the year was *£5,267* (2004-05: *£1,493*) and the balance outstanding at the year end was *£1,293* (2005: *£1,293*).

4. Project expenditure was paid during the year to the following:

Food and Drink Federation Director General, Lady Jay (Sylvia) CBE, was a Member of the FFB Council during the year. The amount payable in the year was *£71* (2004-05: *£nil*) and the balance outstanding at the year end was *£nil* (2005: *£nil*).

Leatherhead Food International Limited Chief Executive, John Bevington, was a Member of the FFB Council during the year. The amount payable in the year was *£700* (2004-05: *£745*) and the balance outstanding at the year end was *£nil* (2005: *£nil*).

FFB Council

Chairman	Lady Jay (Sylvia) CBE Gordon Summerfield CBE	Appointed Chairman 1st January 2006 Appointment completed 31st December 2005
Members	David Baines Timothy Bennett John Bevington Vincent Craig David Croisdale-Appleby David Dobbin CBE Christine Dunn Marie Francis OBE Stuart Gates C. Paul Grant MBE Alan Hardie Christine Lewis OBE Carolyn Newman	Appointed 1st June 2005 Resigned 27th February 2006
Audit Committee		
Chair	Christine Lewis OBE	
Members	John Bevington David Croisdale-Appleby Marie Francis OBE Gordon Summerfield CBE	Appointment completed 31st December 2005
Remuneration Committee		
Chair	Vincent Craig Stuart Gates	Appointed Chair 14th March 2006 Resigned 27th February 2006
Members	Timothy Bennett C. Paul Grant MBE Lady Jay (Sylvia) CBE Gordon Summerfield CBE	Appointed 14th March 2006 Appointed 22nd June 2005 Appointment completed 31st December 2005

Directorate

Chief Executive	David McNair
Marketing & International Management Director	Simon Waring
Business & UK Services Director	Charlotte Lawson
Finance & Administration Director	Anne Kynaston

Our International Services

FFB's International Network helps British companies identify, win and grow business in 29 markets across the globe. The markets represented by FFB accounted for 82% of British food and drink exports in 2005.

Each International Office is led by an experienced Managing Director, supported by teams of consultants with the appropriate trade experience and technical skills to assist British exporters.

Managing Directors, FFB International Offices

Marketing & International Management Director	Simon Waring
Belgium	Philip Horemans
France	Dominique Mine
Germany, Switzerland, Austria	Roy Edleston
Italy	Nigel Brown
The Netherlands	Pim Haasdijk
Nordic	Jakob True
North America	Steve Dawson
Portugal	Luis Garcia
Spain	Guillermo Alvarez de Lorenzana



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